

NEWS: EUROPE

Italy's Mr Clean steps into the breach

By Robert Graham in Rome

A NEW KIND of prime minister took on the challenge of governing Italy yesterday and immediately set himself the task of steering the ship of state away from the rocks.

The appointment of technocrat Professor Giuliano Amato marks a decisive break with the past, having won the job for his ability and moral qualities rather than in a backroom party deal.

He emerged from long talks with President Oscar Luigi Scalfaro and pledged action to improve public finances, clean

up government and introduce institutional reforms.

The 54-year-old constitutional law professor and former Socialist finance minister said talks on forming a government could take time.

He expected to rely on the narrow parliamentary majority of Christian Democrats, Socialists, Social Democrats and Liberals which formed the previous government. However, it was clear he anticipated broader cross-party support.

Prof Amato's appointment represents a break with the established practice of party-controlled politics.

He has been chosen not in a back-room deal but from necessity: as a man capable of obtaining a broad cross-party consensus with high moral standing and genuine grasp of institutional reform and economic policy. Similar considerations led to the surprise election of Mr Scalfaro as president.

He is the first post-war prime minister to be chosen more for his technical than political abilities. An academic who gradually shifted into politics, he only became a deputy for his native Turin in 1983, and most of his political experience

has been as adviser and right hand man to Mr Bettino Craxi, the Socialist leader and prime minister from 1983 to 1987.

It is an equally important departure for an Italian leader to be chosen for his moral qualities. Amid growing outrage over the Milan municipal corruption scandal involving rigged contracts and pay-offs to political parties, Prof Amato represents a "Mr Clean". He is currently investigating his Socialist party's corrupt activities in Milan.

This said, the process of his selection was tortuous. The new Italian president has

exploited the weakness of the main parties after the election and demanded quick agreement on their candidates for the premiership. Faced with deadlock this week, President Scalfaro took the initiative.

He said the outgoing four-party coalition lacked legitimacy after the April elections and needed a broader base. Ideally this meant the backing of the former communist Party of the Democratic Left (PDS), the second largest parliamentary grouping.

Mr Craxi objected, and insisted on his own candidature until President Scalfaro

made him realise on Wednesday that this was unrealistic. Mr Craxi has been too heavily compromised by the Milan scandal.

In proposing Prof Amato as his substitute, Mr Craxi has salvaged some honour: the Socialists have their deputy leader in the prime minister's office, the Christian Democrats have the presidency and the PDS has the speaker of the Chamber of Deputies. The Christian Democrats have avoided the embarrassment of having to choose a candidate when they cannot agree a successor to Mr Arnaldo Forlani,

who resigned after the party's poor election showing.

The PDS and Republicans are happy to see Mr Craxi, a long-time enemy, humiliated. His absence from government makes their support more forthcoming. But the PDS was furious that the outgoing coalition managed to use its narrow parliamentary majority to fill the heads of all 26 of the chambers' commissions. As for the populist Lombard League, the second largest party in northern Italy, Prof Amato is a suitably neutral figure and allows it time to gain parliamentary experience.

Weizsäcker hits at 'power crazy' parties

By Quentin Peel in Bonn

GERMAN politicians, undermined by growing voter apathy, declining popular esteem and scandals over pay and privileges, are now facing criticism from Mr Richard von Weizsäcker, the president.

In an interview with two leading newspaper correspondents, the former leading light in the ruling Christian Democratic Union (CDU), attacks the lack of leadership in the German political establishment, accuses the parties of being "power crazy" and irresponsible, and questions the direction of the country's unification policy.

His words have been seized upon by government opponents as an attack on the ruling coalition, and in particular on his former party colleague, Chancellor Helmut Kohl.

That was swiftly rejected by the president's office. The reality is that his criticism was aimed across the entire German political establishment, represented by the hot-house of political intrigue in Bonn.

Mr von Weizsäcker is concerned at the way party political debate appears to be undermining the constitutional basis of German democracy.

The result is that inner-party debates, and the regular "coalition negotiations" between the three parties in the German government, have become the real decision-making bodies - leaving the classic balance between executive government and parliamentary control little more than theoretical.

Ukraine threatens to split CIS in row with Russia

By Chryllis Freeland in Kiev

THE prospect of a break-up of the Commonwealth of Independent States came closer yesterday after Ukraine stepped up its conflict with Russia over the Crimea.

An adviser to Ukrainian President Leonid Kravchuk said Russia would be asked for guarantees that it would not claim Ukrainian territory at the Ukrainian-Russian summit next week.

Professor Mykola Mykhailchenko warned that Russian failure to agree to Ukraine's demands - particularly acute because of the Russian parliament's claim to Ukraine's lush Crimean peninsula - could precipitate the break-up of the CIS. Ukraine also hopes to resolve the row over division of the Black Sea fleet and will seek agreement with Russia on deported people which would enable the Crimean Tatars to return home.

"Ukraine cannot be a member of an association together with another state which has claims on its territory," Professor Mykhailchenko said.

Prof Mykhailchenko said it was unlikely Russia would accede to Ukraine's terms, and that Ukraine may try to force Russia out of the CIS on the grounds that it is threatening

other member states. Ukraine is unlikely to succeed in this but it has enough allies in the CIS, such as Azerbaijan, to cause a big rift.

Prof Mykhailchenko said the meeting at the Russian Black Sea resort of Dagomys was Russia's last chance to acknowledge Ukrainian sovereignty and show that "we, the Ukrainians, are not the ones who are souring relations."

His comments suggest Ukrainian politicians are proving immune to Russian efforts to apply economic pressure. According to Ukrainian economic experts, last week in Moscow Ukrainian negotiators said that Russia would charge world prices for oil the moment Ukraine introduces a separate currency and leaves the rouble zone.

This could be devastating for Ukraine, heavily dependent on Russian subsidised oil, but in Paris this week Mr Kravchuk said Ukraine would introduce a separate currency, the hryvnia, in August or September.

At Dagomys Ukraine will seek an agreement on prices and the introduction of the hryvnia and a formula for dividing the former Soviet Union's debts and assets. Prof Mykhailchenko said failure to agree "could have very negative effects on relations."



One of Ireland's future voters gets the hang of what to do by watching her grandparents marking their ballot papers in yesterday's referendum

Irish mist descends over Maastricht

Beyond the Pale, many perceive it as a treaty without cause, writes David Gardner

IF Ireland's voters turn out to have endorsed the Maastricht treaty in yesterday's referendum, it will have been without enthusiasm. It would also have been largely in spite of a pro-treaty campaign by the country's political establishment which created suspicion and deep irritation.

Many people are plainly angry at being patronised by what they see as a "we-know-best" elite which has done well out of Europe and hopes to do even better.

The government hijacked the airwaves, keeping its opponents off television, annoying both the Yes and No camps in its obviously rattled attempts to ram through ratification.

The country's leading paper, The Irish Times, in a strongly argued leader on Tuesday in favour of a Yes vote, was lapidary in its judgment of the government's campaign.

The government almost certainly erred tactically by overemphasising the expected cash bonuses of £60m (£5.5bn) from the EC's boosted "cohesion" and regional aid effort for poorer member states - money which is in question because of resistance by net contributors to the EC budget to pay it.

The referendum result, in consequence, yesterday looked as though it would be very close. A straw poll by the FT of a hundred or so people in a cross-section of Dublin and in County Wicklow showed a 51-49 margin against the treaty, with a further 18 voters claiming still to be undecided.

There were doubts about whether the fabled cohesion money would arrive, and if so, whether this meant jobs.

There was concern on both sides of the abortion debate, and about the extent to which Maastricht's aspiration to a future common defence dimension for Europe compromised Irish neutrality.

"I think they're keeping us in the dark about neutrality," said Fiona Murphy, a waitress. And despite Mr Reynolds' pledge of a new referendum in 1996 if the EC assumes joint defence commitments then, she was voting No.

Ireland has done well out of the EC.

Yet he felt that Ireland couldn't attempt to get the church on side has ended by ranging anti-abortionists and pro-choice groups against the treaty, leaving very little middle ground for Irish women, whose vote could decide Maastricht's future.

Mrs Helen Kelly, a heavily pregnant resident of Glendalough in Wicklow, was undecided on Maastricht. She was cynical about the government, and hostile to the anti-abortion campaign, as "just a way of trying to package the no vote to throw it [the treaty] over."

Her husband, Tom, a small road haulier struggling through the economic downturn, was voting yes. "I'd say go with Europe, what choice have we?"

In affluent Dublin areas like Donnybrook, Maastricht is not in doubt, yet in mixed class areas of north Dublin like Drumcondra the vote yesterday was nearly 2-1 against the treaty.

The gap was equally visible in Bray, 12 miles south in Wicklow, now easily accessible thanks to a new by-pass partly financed by the EC regional fund. Yet in one hostelry where local working men had gathered to watch the football televised on Wednesday night, Maastricht could not muster a single indigenous vote.

"No, no and no," said Liam, "that stuff's for yuppies. There's nothing in it for Joe Soap and the workers like me."

Irish and EC leaders have tended to take such people for granted. The future of the Maastricht treaty hung on there being just enough voters to outweigh them, even if many were saying yes out of fear of isolation from Europe rather than enthusiasm for a cause no one has bothered to kindle.

Until shocked out of its complacency by the Danes, Mr Albert Reynolds' government had not deigned to explain or promote the treaty to the populace

WEU prepares to strap on some weapons

By Robert Mautner, Diplomatic Editor

THE long-dormant Western European Union is today expected to agree to give itself a genuine military role, including the capacity to send peace-keeping forces to flash-points like Yugoslavia and Nagorno-Karabakh.

Foreign and defence ministers of the nine-nation organisation are meeting outside Bonn to discuss what practical military steps can be taken to implement their declaration on a common European defence identity, attached to the Maastricht treaty.

That declaration, which states both that WEU will be

developed as "the defence component of the European union" and as a means to strengthen the European pillar of the Atlantic alliance, is diversely interpreted by member states.

While Britain has put the accent on the organisation's continuing close relationship with Nato, France, Germany and some other members see its role as leading gradually, but inexorably, to a common European defence policy under the political direction of EC governments.

These ideological differences, however, should not prevent ministers from taking decisions on the forces to be assigned to the WEU for purposes ranging from peace-

keeping and humanitarian operations to military intervention outside the Nato area of the Gulf War type.

Mr Malcolm Rifkind, the British defence secretary, has proposed that European multinational units such as the planned Dutch-Belgian-German-British Nato division, the UK-Netherlands amphibious force or the Franco-German corps could be put at the disposal of the WEU.

The ministers are also due to give the green light to a 40-member WEU military planning cell.

In a declaration to be issued at the end of the meeting, WEU will offer, as did the Nato Council earlier this

month, to make its forces available for peace-keeping operations at the request of international organisations such as the United Nations and the 63-nation Conference on Security and Co-operation in Europe.

Decisions on whether to take part in such operations will be taken on a case by case basis by WEU member states.

The ministers are also due to invite Greece, Denmark and Ireland, the only three EC members not already in the WEU, to join the organisation as full members or observers.

Of these three, only Greece has applied for full membership. In addition, associate membership will be offered to Turkey, Norway and Iceland, who are members of Nato but not of the EC, with the right to participate fully in meetings of the WEU Council. To take account of Greece's objections to Turkey's association, a special provision will be made under which the WEU's and Nato's mutual security guarantees cannot be invoked in disputes between members of either organisation.

The WEU will examine ways of enforcing international sanctions against Serbia, possibly with a naval blockade in the Adriatic. Mr Wim van Eekelen, its secretary general, predicted yesterday, David Buchan reports from Brussels.

Shelling halts UN relief of Sarajevo

By Judy Dempsey in Belgrade

UNITED Nations officials yesterday abandoned plans to send Canadian troops to Sarajevo to take control of the airport, after Serb irregulars renewed their bombardment of the besieged Bosnian capital.

"There is all out war here," a UN official said, adding that the UN was trying to get the Bosnian presidency, the Serb irregulars and Serbia's proxy army to sign a new agreement aimed at re-opening the airport.

Serb irregulars have blocked the airport, preventing all food and humanitarian aid from reaching Sarajevo, whose 300,000 inhabitants have been besieged for 75 days.

Members of the Territorial Defence force, which consists of Sarajevo's Muslim, Serb and Croat communities, and which is trying to defend the city, said yesterday that any new agreement was "almost meaningless".

"The Serbs sign a ceasefire, re-group, re-arm, and then bombard the city from the surrounding hills in an attempt to divide our city," said Mr Mirsad Kulenovic, a former Yugoslav diplomat.

Mr Sefer Halilovic, commander of the Territorial Defence force, yesterday criticised the UN for not doing enough to prevent the bombardment and killings.

He said the UN had made no attempt to stop civilians in the Sarajevo suburb of Dobrinja from being taken out of their apartments by Serb irregulars.

UN officials said their mandate limited them to negotiating the re-opening of Sarajevo airport to allow an airlift of food into Sarajevo.

Western diplomats and journalists in Sarajevo said that over the past three days, Serb irregulars had entered apartment blocks and had taken residents to a prison in Pale, east of Sarajevo, the headquarters of Mr Radovan Karadzic, and General Ratko Mladic, leaders of the Serb irregulars, and Serbia's proxy army.

"The innocent civilians are taken as hostages in exchange for Serb snipers captured by the Territorial Defence," a western diplomat said. "This is happening under the eyes of the UN. This is happening every day. It is unspeakable the evil which is taking place here."

Treuhand plans for state farms

By Leslie Cottill in Berlin

EAST Germany's state farms - a quarter of the former communist country's agricultural land - are to be leased to farmers for 15 years and then sold to east Germans and westerners, including the former nobility whose large estates were confiscated after 1945, the Treuhand privatisation agency said yesterday.

The agency said it was setting up a company to supervise the leasing of 100 hectares of farmland and 400,000 hectares of managed forests. Previously only one year leases were granted, which made planning difficult for tenants. Former collective farms are not included.

Correction Macedonians

Macedonians make up 67 per cent of the population of Macedonia. The Balkans map in Wednesday's edition of the Financial Times stated incorrectly this proportion of the population was Moslem.

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EC fails to agree on multinationals

By Andrew Hill in Luxembourg

MINISTERIAL agreement on a European company statute - which would simplify the legal position of multinational companies in the Community - has again been postponed, possibly until the end of this year.

EC internal market ministers, meeting in Luxembourg yesterday, failed to narrow their differences over the European Commission's proposals.

The measure would allow multinational companies to become *sociétés européennes* (SEs). They would be subject to a single EC company law, instead of having to meet different legal requirements in each member state.

Portugal, which holds the EC presidency until the end of this month, has pushed hard for adoption of the statute. But its efforts have been thwarted, partly because of persistent objections from some member states - about proposals to

encourage employee participation at board level in SEs.

Britain, for example, argues that such provisions could set a precedent for binding EC company legislation later. One Portuguese official said yesterday that he thought the UK had missed a good opportunity to agree a directive over the past six months.

British officials said the technical nature of the measure meant it would probably not be considered by ministers until near the end of the UK's six-

month presidency, which follows Portugal's.

Member states were last night still discussing a directive aimed at protecting national treasures once internal EC frontiers are removed on January 1, 1993. British auction houses are concerned that a measure, allowing a wide definition of national treasures which cannot be exported, could restrict the European art market. Ministers were still discussing compromise proposals yesterday evening.

Fall in value of arms trade

By Robert Taylor in Stockholm

THE WORLD arms trade in large conventional weapons dropped by 25 per cent in value last year to \$22.14bn, according to the annual survey of the Stockholm International Peace Research Institute published yesterday. The break-up of the Soviet Union was the main reason, Sipi argues.

During the 1980s that country was responsible for around 40 per cent of the global trade,

but that figure had shrunk to less than 20 per cent by last year. The value of Soviet weapons exports last year was roughly 22 per cent of that recorded in 1987, says Sipi.

The US is now by far the largest exporter of large conventional weapons, accounting for 51 per cent of deliveries last year to a value of \$11.15bn.

The dissolving Soviet Union accounted for \$3.93bn worth of arms exports. But Sipi reveals that Germany is now the third largest conventional arms sup-

plier in the world with sales last year valued at \$2.015bn - far more than China (\$1.137bn), Britain (\$968m) and France (\$804m).

Last year there was a marked reduction in arms imports to the developing world - \$12.336bn from \$16.720bn in 1990. However India was the largest arms importer (\$2,009bn), followed by Israel (\$1,676bn), Turkey (\$1,559bn) and Afghanistan (\$1,220bn). Thailand increased its arms imports substantially.

EC threatens to counter-retaliate in subsidy dispute

By Frances Williams in Geneva

THE EUROPEAN Community has threatened to counter-retaliate against the US if Washington goes ahead with trade reprisals over EC oilseed subsidies, fuelling the increasingly bitter row between the world's biggest traders.

At today's meeting, Gatt's governing council, EC will offer the US negotiations on trade concessions in other areas to compensate for the sales lost by American soybean producers under the oilseed subsidy regime. Washington has said it wants the subsidies dismantled. But indications were yesterday that the US may be willing at least to discuss compensation terms, thereby avoiding a head-on collision in the Gatt meeting.

On June 8, Mrs Carla Hills, US trade representative, published a list of EC exports worth about \$2bn (£1bn) a year, from which about \$1bn-worth will be selected for imposition of prohibitive tariffs if the two sides cannot reach a negotiated agreement.

A Gatt disputes panel has twice condemned the EC's oilseed subsidies, originally paid to processors and now paid to farmers, for violating a 1982 accord with the US under which oilseeds - soybeans, rapeseed and sunflower seeds - enter the EC duty-free.

The American Soybean Association claims it has lost sales of \$2bn a year as a result, though the US administration puts the figure nearer \$1bn.

Even so, it is the largest retaliatory package Washington has ever contemplated.

EC officials said yesterday that Brussels would be justified in counter-retaliating against unilateral US reprisals, which are outlawed by Gatt. "If one party goes outside Gatt, the other is not bound by Gatt rules either," one senior official said.

The disputes panel recommended speedy action by the EC either to dismantle the oilseed subsidies or negotiate compensating concessions, in the absence of which the US should be authorised to take reprisals. But if the US rejects an EC compensation offer, trading partners may be disinclined to sanction retaliation. Gatt officials say its legal system "is being stretched to the limit" by the oilseed case.

Today's Gatt council meeting will hear a call by Costa Rica for consultations with the EC over a Brussels decision to extend quotas on bananas from Central America. Costa Rica, which says the decision breaches international fair trade rules, says it will take the case to a Gatt disputes panel if the decision is not rescinded.

The council will also hear requests from Albania, Estonia, Moldova and Turkmenistan for Gatt observer status ahead of possible membership. Gatt officials say other CIS states have indicated their intention to apply for observer status; Slovenia has said it wants to open membership talks.

Exporters count the cost of Soviet market collapse

Leslie Colitt looks at the predicament of east German producers confronting a vacuum in sales outlets

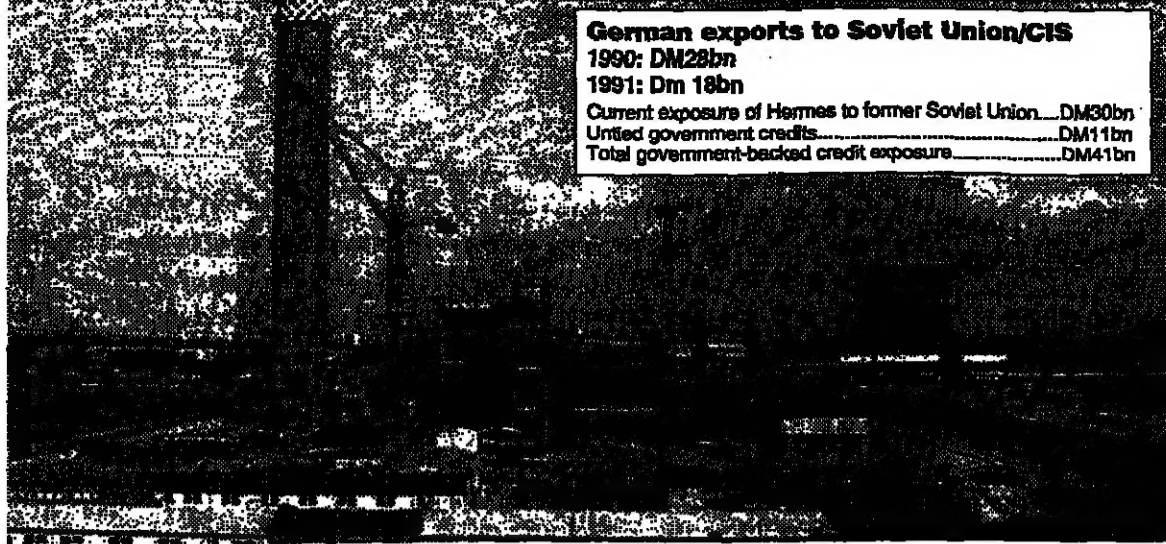
WHILE some west German companies have been hurt by plummeting exports to the former Soviet Union, east German producers have suffered an unmitigated disaster.

Only two years ago West Germany still managed DM28bn (£9.5bn) in exports to the Soviet Union, but this fell to DM18bn last year. The decline was even more dramatic than it appeared as the figure included east German exports for the first time. Sales to all former Comecon countries, as a percentage of total German exports, were 4.1 per cent in 1990 and 2.7 per cent last year. In the heyday of German trade with the East in the mid-1970s, nearly six per cent of German exports went to Comecon buyers.

Mr Karl-Hermann Fink, managing director of the eastern trade board of German companies trading with the East, is pessimistic. He forecast a further slide in German exports to the former Soviet market this year of between 20 per cent and 30 per cent.

Although there were a few hopeful signals, most large west German companies with sizeable exports to Moscow had registered the alarm signals early enough to enable them to switch to other markets. Mannesmann, for example, cut output and sought alternative markets for its pipes, with some success, in North Africa and South America.

But companies such as Mannesmann have kept their manufacturing capacity and retain a presence to try to prevent competitors from capturing orders when they pick up. The com-



pany is following potential energy ventures in the Commonwealth of Independent States, such as the Sakhalin oil and gas project in which Japanese companies are also interested.

Some smaller German companies, which sold a large proportion of their output to Moscow are hurting far more. The situation is worse for those not being paid by former Soviet buyers and not covered by the German Hermes export credit guarantee agency.

The shoe company, Salamander, one of the few production-oriented German joint ventures with a Soviet partner tried, not very successfully, to

bridge Soviet payments problems by selling east German shoes to the Russians. The company, however, sought other markets to compensate and reported healthy earnings in April.

The impact of the trade collapse on east German companies has been a nightmare for the Treuhand agency which still owns nearly all the large producers who were dependent on the Soviet market for 80 per cent and more of their output.

SKET, the heavy engineering manufacturer in Magdeburg had placed high hopes on deals with Ukraine to modernise steel mills it had built there. The projects were to have been

paid for by shipments to the West of Ukrainian rolled steel. The Ukraine even gave the necessary counter-guarantee needed in order to finalise the granting of Hermes credits. But in practice the state guarantee proved to be inoperable, a predicament which could take another year or so to be resolved.

Waiting this long would be fatal for SKET and other east German manufacturers such as Deutsche Waggonbau, Europe's largest producer of rail carriages which exported 75 per cent of its output to the Soviet Union.

"These companies need a breathing spell in order to develop new products

and new markets in the West", Mr Fink said. But in the meanwhile they will require even higher subsidies from the Treuhand agency, which cannot allow them to collapse as it would deal a fatal blow to the cities and towns where they are located.

The difficulty in finding alternative markets for products developed for the former Soviet Union is illustrated by the 15 new ships ordered by Soviet shipping lines and built at Warnemünde, where they still lie at berth. Although the vessels are covered by Hermes credits, the buyers did not agree to the altered rate of currency exchange. The idle ships cost the builder nearly DM300,000 a day in insurance and maintenance charges and cannot be re-sold elsewhere without costly rebuilding.

Hermes credits to the former Soviet Union were sharply cut to DM5bn this year, mainly for the Russian Republic, and will probably only be slightly extended, Mr Fink said. This month Bonn government said that Moscow, after a long delay, had given the necessary counter-guarantees to allow Germany to release current Hermes export credit guarantees to east German companies.

A significant expansion of Hermes guarantees was politically impossible, according to Mr Fink, because of the already strained Federal budget. The collapse in orders from the CIS may also deter potential western buyers from placing orders with east German companies suspected of being candidates for closure by the Treuhand.

Thai phone group looks overseas for equipment

By Peter Ungphakorn in Bangkok

THE STATE-OWNED Telephone Organisation of Thailand (TOT) yesterday awarded a contract to install and operate 1m provincial telephone lines to a Thai consortium planning to buy equipment from Canadian, French and Japanese companies.

The deal is the second part of a controversial expansion plan designed to ease Thailand's badly-congested communications system. Talks on the first part were concluded last year when a contract was awarded for 2m new numbers in Bangkok to the Charoen Pokphand Group, whose associates include British Telecom.

The government hopes investors' confidence will recover, now that a big infrastructure deal has been struck so soon after last month's political violence. A number of other infrastructure projects are under way or could be started soon, making up for investors' hesitancy after the recent political troubles.

The TOT board meeting was held in extraordinary circumstances. The chairman is Gen

Issarapong Noonpakdee, army commander, who has not been seen in public since the army suppressed the anti-military demonstrations last month. The board met at the closely-guarded Army Operations Command headquarters.

The winning consortium is led by Loxley Bangkok, a Thai trading company. Its main suppliers will be Northern Telecom Canada and Alcatel, of France, and Nippon Telegraph and Telephone, of Japan. The original project was a single package for all 3m new numbers. The civilian government of Mr Anand Panyarachun, installed by the military after last year's coup, then fell into conflict with the general by ruling that the deal, originally awarded to the CP Group, was too monopolistic.

The convolutions of Thai politics have brought the Anand government back to power following the protests and the resignation of the pro-military government set up after the March general election. The generals still dominate state enterprise boards, but pressure is growing for them to be replaced by appropriate professionals.

EC ministers ready to act in procurement row

EC MINISTERS yesterday seemed ready to soothe trade friction with the US by watering down a third-country retaliation clause in new Community legislation on public procurement. Andrew Hill reports from Luxembourg.

The legislation would force utilities to put large service contracts, from maintenance and cleaning to accountancy and insurance, to open tender. The US is threatening trade sanctions over the existing directive on utility equipment contracts, which includes a clause giving priority to EC companies over third countries which have failed to open their markets to competition.

The US says this "reciprocity" clause discriminates

against non-EC suppliers, mainly in the telecoms sector, and should be changed before it comes into force on January 1, 1993. EC internal market ministers were yesterday set to agree a more relaxed regime for the services directive. This would let the Commission investigate alleged discrimination against EC companies by third countries but would insist on any retaliatory steps being approved by member states.

"All this does is restate what the Treaty of Rome already allows," said one official from Britain, which was pressing for a more open regime. France had wanted a tougher clause, which might have inflamed the EC-US row.

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OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates for officially-supported export credits for June 15 - July 14 (May 15 - June 14 in brackets):

D-Mark	9.30 (9.29) per cent
Ecu	9.25 (9.30)
French Franc	10.01 (10.12)
Guilder	up to 5 years 9.55 (9.60) 5-8.5 years 9.35 (9.4) more than 8.5 years 9.25 (9.30)
Italian lire	12.04 (same)
Yen	6.10 (5.8)
Peseta	12.21 (12.28)
Sterling	10.15 (10.64)
Swiss Franc	7.86 (7.87)
US dollar	for credits of up to five years 8.18 (8.93) 5-8.5 years 7.89 (7.79) for credits of over 8.5 years 8.06 (8.15)

These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when floating at bid. Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries. The SDR-based rate was changed on February 15. It will be subject to change on July 15.

NEWS: INTERNATIONAL

China opposes cabinet posts for Hong Kong Democrats

By Simon Holberton in Hong Kong

CHINA yesterday made its most direct intervention yet in the politics of Hong Kong when a senior official said Beijing would oppose the appointment of any member of Mr Martin Lee's United Democrats to the colony's Executive Council, or cabinet.

Mr Guo Feng Min, the Chinese head of the Sino-British Joint Liaison Group (JLIG), said in Beijing yesterday that such appointments would not be conducive to the stability and prosperity of Hong Kong.

Mr Guo was speaking after the 23rd meeting of the JLIG, a meeting

which was noteworthy for the Chinese departing from the agenda to remind Britain that the Basic Law - the Chinese-drafted constitution for Hong Kong after 1997 - would not be amended before the handover to provide for more directly elected seats to the colony's legislature.

Mr Guo's remarks were an attempt to limit the room for manoeuvre by Mr Chris Patten, Hong Kong's governor-designate, before he arrives in the colony on July 9. Mr Patten was widely expected to bring Mr Lee and some of his colleagues into his cabinet.

The Democrats represent most of the democratically elected politi-

cians in the colonial legislature following last September's elections.

But Mr Guo's remarks make plain what many have long suspected: that Beijing sees no role in Hong Kong's political life for the Democrats, whose involvement in anti-Chinese government activities after the June 1989 Tiananmen Square uprising has made Beijing deeply suspicious.

Last night, the Hong Kong government issued a brief report. A spokesman said that "appointments to the Executive Council were entirely a matter at the discretion of the governor."

China's intervention in local poli-

tics came on the day when four members of Hong Kong's cabinet broke ranks with the government and issued a paper calling for cuts to one of the core projects in Hong Kong's multi-billion dollar airport development.

The decision by the four, all members of a conservative grouping known as the Co-operative Resources Centre, will give added comfort to Beijing which is arguing with Britain about the cost of the airport. This week's meeting of the JLIG produced no sign of when and where China proposes to meet Britain to discuss the issue of airport finance.

Mr Allen Lee, Mrs Selina Chow, Mrs Rita Fan and Mr Edward Ho joined 16 other members of the CRC to call for cuts of HK\$5.5bn (£80m) in the cost of construction of a railway that is planned to link the urban areas of Hong Kong with the colony's new airport at Chek Lap Kok.

Their proposals would cut the cost of the railway from HK\$2.5bn to around HK\$1.7bn in March 1991 prices.

Their call marks a reversal by the four who, as members of the government's cabinet, approved the financing plans for the airport and related projects earlier this year. Mr Ho is

also a director of the MTRC, the government-owned entity which has contracted to build and finance the railway.

Their break with government policy throws into question their continuing membership of the cabinet. It also undermines the position of those who have been objecting to Mr Martin Lee's membership of the cabinet on the grounds of his refusal to observe "collective responsibility".

The government said it would study the CRC's paper and consult the MTRC as to its feasibility. An MTRC executive said last night that the changes proposed would damage the financial viability of the project.

Thai call for growth to avoid violence

By Peter Ungphakorn in Bangkok

MR ANAND Panyarachun, the Thai prime minister, yesterday called for close co-operation between the government and the private sector to revive the country's economy and avoid a repeat of last month's political violence.

His comments, made in his first speech since his death-dealing appointment on June 10, referred indirectly to two key issues that need to be resolved if public confidence is to be revived.

These are the kind of government that will emerge after elections in August or September, and what will happen to military commanders who are still in their posts despite being blamed for using weapons of war to suppress demonstrations in Bangkok (leaving more than 40 protesters killed and several hundred missing).

Mr Anand echoed the views of many analysts by attributing the conflict to the failure of the political system, traditionally dominated by the military, to keep up with the rapidly expanding business sector.

His call for a greater business role in easing political tensions as well as in devising economic policy coincided with moves by a group of leading business figures to promote "better" politicians.

The group announced yesterday it was setting up a fund to support candidates it believed would be less likely to buy votes and to engage in the politics of power and personal patronage that led to last month's protests.

Members of the group said they would boycott members of the five coalition parties whose decision to back as their prime minister General Suchinda Kraprayoon, former army chief, triggered the anti-military campaign.

Mr Anand made his speech at a seminar organised by industry, trade and banking associations. A former diplomat and businessman himself, he said he had accepted the invitation because the business community was determined not to allow a repeat of the conflict. He also said he would use closed-door diplomacy to work out a face-saving compromise on the future of the military leaders.

NZ targets UK immigrants

By Terry Hall in Wellington

NEW ZEALAND is to target the British Isles this year in a pilot programme to attract "quality" migrants.

The emphasis recently has moved from promoting migration to New Zealand in Britain towards attracting immigrants from round the world. This has led to substantial numbers of Asians gaining citizenship.

While there is no change in what is in effect, a global quota of 25,000 a year, the new scheme is expected to see 4,000 British migrants this year compared with 3,000 last year.

Cumbersome rules - such as intending migrants must first have a job, and no New Zealand resident should be able to do it - have been relaxed.

Japan refuses to intervene in flagging market

By Stefan Wagstyl in Tokyo

THE Japanese authorities yesterday declined to intervene to support the country's flagging stock market, which fell yesterday to its lowest level since October 1986.

The Nikkei index lost 400.94 points to close at 18,045.56 - some 8 per cent down on the week so far and 58 per cent off its all-time high recorded in 1989.

The market has been hit by gloomy reports about the state of the economy, including a survey by the Bank of Japan published last Friday which showed business confidence had sunk to a five-year low. Investors' fears have been compounded by warnings from securities companies of further declines in corporate profits.

Many investors and businessmen alike believe the economy will recover only if the government and the Bank of Japan take measures to boost growth, including an increase in public works spending and a further cut in interest rates.

Mr Gaiichi Hiraoka, chairman of the Keidanren, the employers' federation, yesterday called for extra public works spending to boost the economy. But Ministry of Finance officials said there were no plans to intervene in the stock market or to increase public spending. Mr Tadamasa Hata, the finance minister, told a Diet



Japan's Nikkei index fell to its lowest level since October 1986.

committee that the government was still monitoring the effects of a public works spending package announced at the end of March and of a cut in the official discount rate in April. However, many economists believe it is a matter of time before the government and the Bank of Japan consider further such measures.

Japan is under US pressure to make a strong pledge to promote growth at the Group of Seven leaders' summit in Munich early next month.

● Reuters adds: Japan said yesterday it extended a record \$11bn (£6bn) in official development assistance in 1991, up 19.6 per cent from the year before.

The sum accounted for 0.32 per cent of gross national product against 0.31 per cent in 1990, the Foreign Ministry said.

ILO reports trade union repression

By Frances Williams in Geneva

SOME 200 trade unionists died in the 15 months to March as repression of trade union activity continued in many parts of the world, the International Confederation of Free Trade Unions (ICFTU) says in a report published today.

The ICFTU's annual report to the International Labour Conference in Geneva cites abuses of trade union rights in 85 countries, including 2,000 cases of detention and numerous instances of death threats, harassment, disappearances, and spying.

Colombia - where over 50 trade unionists were murdered in the survey period - China, Guatemala, El Salvador, Iran, Peru, Sudan and South Africa "are the world's most dangerous places for trade unionists", the report says.

The ICFTU says an increasing number of companies, often multinationals operating in developing countries, are resorting to mass dismissals to oppose workers' basic demands. More than 50,000 workers were sacked in the survey period for activities recognised as legitimate under international conventions, the report notes.

It also draws attention to evidence in a growing number of countries of connivance between managers, landlords and local security forces.

The previous year's report listed 264 deaths and 2,422 detentions, citing 73 countries.



Massacre arouses fury in S Africa

By Philip Gawith in Johannesburg

THE ALREADY tense relations between the South African government and the African National Congress (ANC) were pushed close to breaking point yesterday following the massacre on Wednesday night of nearly 40 people in the Botatong township south of Johannesburg.

The incident follows the start earlier this week of an ANC's mass action campaign, aimed at breaking the deadlock in constitutional negotiations. The government had fiercely criticised the campaign, saying it would aggravate the high levels of violence in the township.

The massacre will complicate prospects for reaching agreement at the Convention for a Democratic South Africa (Codesa), the constitutional negotiating forum, where relationships between the government and the ANC have deteriorated sharply in the past few weeks.

Following a trip around the township, near Vanderbijlpark, yesterday Mr Cyril Ramaphosa, ANC secretary general, said: "This type of violence could lead to negotiations being derailed. The negotiations process is going through a stage where it is being jeopardised by the government."

He added: "The collective charge sheet against the apartheid government is being

drawn up and President de Klerk is accused number one." Most witnesses of the attack, which left at least 37 and possibly as many as 50 people dead, said it was conducted by residents of the nearby Kwamada hostel. There have also been suggestions of police involvement.

The hostel, which houses residents for the nearby Iscor steelworks, is known to be a stronghold of the mainly Zulu Inkatha Freedom Party, which the ANC government chose to ignore. But the public flaming of the ANC's position on the eve of elections may force Mr Sharmir to take some action.

"This is the last step to reaffirm that the PLO is the reference for the Palestinian delegation to the peace talks," said Mr al-Tayyeb Abdul-Rahman, the PLO's ambassador to Jordan.

tion between it and the ANC, which has repeatedly accused the police of complicity or indifference to acts of violence against black people.

The government will probably link the massacre to the climate created by mass action. Captain Craig Kotze, a police spokesman, said yesterday: "It is now quite obvious that the political temperature has been pushed unacceptably high [by mass action] and has created a climate which can make incidents such as these that much easier to happen."

A police investigation has been launched into the attack, which is believed to be the worst single incident of violence in nearly 18 months.

Palestinian peace team meets Arafat

By Hugh Carnegie in Jerusalem

SENIOR PALESTINIAN delegates to the Middle East peace talks last night held their first public meeting with Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, in a pointed challenge to Israel a few days before next week's general election in the Jewish state.

The carefully staged encounter in Amman was accompanied by an appeal by Mr Yasser Arafat, a senior PLO executive committee member, for Israelis to "vote for peace" in next Tuesday's poll. He said there would be little optimism if

the ruling Likud party returned to power. Although Mr Arafat did not mention the opposition Labour party by name, the right wing is bound to use his words to portray Labour, which supports a more conciliatory stance in the peace talks than Likud, as being supported by the PLO, Israel's great enemy.

But this did not deter the PLO going ahead with last night's event at which Mr Faisal Husseini, the leader of the Palestinian negotiating team, Mrs Hanan Ashrawi, the spokeswoman, and Dr Halid Abdel-Shafi, the chief negotiator, met and embraced Mr Arafat in front of reporters

and cameramen summoned for the event. Israel has insisted on keeping the PLO out of the Middle East talks and Israeli law bars any contact with the PLO. The negotiating team have had several previous private meetings with Mr Arafat, which the Israeli government chose to ignore. But the public flaunting of Israel's position on the eve of elections may force Mr Sharmir to take some action.

"This is the last step to reaffirm that the PLO is the reference for the Palestinian delegation to the peace talks," said Mr al-Tayyeb Abdul-Rahman, the PLO's ambassador to Jordan.

Turkmens revert to the days of the Khan

Steve Levine on the certain result of Sunday's presidential election in Turkmenistan

VOTERS go to the polls on Sunday to elect a president in the former Soviet republic of Turkmenistan. They know who the winner will be. Mr Saparmyrat Niyazov, the former Communist party boss, is standing for a further term and has brooked no opposition.

A committee of the republic's compliant ruling council approved his candidacy and allowed no others to register. The state-run newspapers and just about everyone on the streets say no one really minds.

Mr Niyazov has clearly instilled fear in the local population - few will criticise him, even privately. The ubiquitous response to anything but routine questions about Mr Niyazov is, "People don't speak about that."



selection of beshever. And buyers snapped up five new Renaults this month at the former Soviet republic's first western trade fair. But modernity is coming only fitfully to Turkmenistan, which is still ruled largely like the nomadic, desert kingdom it once was.

The conservative Mr Niyazov is in many ways as powerful as the Khan of Merv whom the Bolsheviks destroyed. Turkmenistan's series of Khans had power of life and death over their subjects before the 20th century.

system has just passed back to the old way." More to the point, said an ethnic Turkmen, "In this country there are not laws. There are instructions."

Mr Niyazov was educated in St Petersburg and is Russianised. Indeed, he is said to consider Russia something of a big, wiser brother, to be consulted on the various foreign proposals that cross his desk.

Mr Niyazov rose through Party ranks and was appointed Turkmenistan's first secretary by then Soviet President Mikhail Gorbachev in 1986. He is an engineer by education and is married to a Russian. His excellence as a political strategist was demonstrated by his survival after the Soviet Union's collapse in December.

In a land where, until recently, you had to be able to recite your tribal background and ancestors for seven generations to get anywhere, Mr Niyazov is an orphan with no provable ancestry at all.

In addition, though, there is the former Communist party structure built up over the last seven decades. Mr Niyazov juggles them. "His power comes from the past, and from his personality. He's a very capable man," said an Asian scholar on the region. Helping to strengthen Mr Niyazov's

position as well is the absence of Moslem fundamentalism despite a largely Sunni Moslem population.

Mr Niyazov has concentrated power in his office and that of two lieutenants. They are his trade minister, Mr Valeri Oshersov, an ethnic Russian; and his investment committee director, Mr Atah Charlov, who has ancestors from the important Tekke tribe of Merv.

This concentration makes Mr Niyazov's 16-member ruling council largely superfluous, and frustrates investment initiatives by foreigners and locals alike.

As factories and flats quickly go private throughout the former Soviet Union, Mr Niyazov has declared that in Turkmenistan no dwelling shall be sold for a decade, and that the state will relinquish no share of its enterprises.

Mr Niyazov's conservatism is rooted at least partly in fear of the business "mafias" that have sprung up elsewhere in the former Soviet Union, according to state officials. "If we give up state property to private people, there will just be a lot of theft," said Mr Abdil Kuliev, foreign minister.

Western and regional interest has been high. The wealth expected from Turkmenistan's

natural gas and oil - 18,000 cubic metres of proven natural gas reserves and 212m tonnes of oil, according to the state - has attracted ample attention. Turkmenistan is negotiating to supply Ukraine and other republics for hard currency, while Italian interests are seeking to arrange a barter deal under which they would finance a refinery. But foreign approaches have so far run up against the republic's go-slow attitude to development.

Its location between China to the west and Iran and Turkey to the east and south are also selling points. One project going ahead is a venture with Iran to build a railway which would provide the final link of a track from Beijing to Istanbul.

Mr Niyazov has lavished attention on his frequent foreign visitors, hosting some in the old Communist party hotel and holding banquets in their honour. But this attention - representatives of General Motors and Bank Xerox have called this month - has not quickened his pace of reform.

He apparently feels in no rush. "The people here have nothing against the old traditions," said a Russian professional based in Ashkhabad. "That's why Niyazov's position is quite stable."

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The Chairman of Export Processing Zones Authority will remain available for consultation during Investment Promotion Seminar.

Sharp rise in US trade deficit

By Michael Froomer
in Washington

OFFICIAL figures showing a sharp rise in the US merchandise trade deficit in April provided an early warning yesterday of possible adverse trade trends later this year, if the US economy continues to revive and demand remains subdued elsewhere.

The deficit jumped from \$6.4bn in March to \$7bn, the greatest shortfall for 17 months, the Commerce Department said.

The unexpected deterioration reflected the combined impact of a jump in imports and a fall in exports.

Wall Street analysts were taken by surprise, having forecast a deficit of about \$6.7bn. The deterioration in April, however, overstates the rate at which the deficit is widening. For the first four months of the year, the deficit grew modestly to \$21.5bn compared with \$20.8bn last year. Exports were up 6.5 per cent relative to last year.

Separate figures yesterday for weekly unemployment insurance claims indicated continuing softness in US labour markets. Claims fell 2,000 in the week ending June 6 to 407,000.

A significant improvement in job prospects is not expected so long as the claimant total remains stubbornly above 400,000.

Menem pushes for second term

THE campaign to amend Argentina's constitution and allow President Carlos Menem to seek a second term formally begins today in his home province of La Rioja, with a conference of Peronist party provincial legislators, John Burnham reports from Buenos Aires.

Mr Menem, who is near the middle of his six-year term, has forcefully instructed Peronist party leaders to fight for an amendment, while claiming in public that he is not particularly interested in re-election.

Congress spending axe threatens supercollider

By George Graham
in Washington

TEXAS politicians yesterday began a desperate rearguard action to try to save the Superconducting Supercollider, after the House of Representatives voted to kill the \$5bn scientific research project.

The supercollider's goal is to find out more about subatomic particles by smashing them against each other in a 54-mile oval tunnel, now under construction near Waxahachie, Texas.

But the project, derided by its critics as a pork-barrel scheme with no scientific value, appears to have fallen victim to Congress's new enthusiasm for cutting expenditure.

"The House was looking for a blood sacrifice and they

found it in the Supercollider," said Congressman Joe Barton, in whose district Waxahachie lies.

Supercollider funding could be restored by the Senate, but its leading backer there, Senator Bennett Johnston of Louisiana, warned yesterday that it faced an uphill fight.

The spending axe in Congress has been much sharpened by a recent surge of attention to the spiralling federal budget deficit. A bid to amend the constitution to require the government to balance its budget narrowly failed last week to win the necessary two-thirds majority in the House.

After signalling their attachment to the principle of fiscal rectitude, the 290 members who voted for the constitutional amendment appear to be shy of showing hypocrisy by

voting so soon afterwards for lavish spending projects.

House committees have agreed in recent days cuts in defence spending - and even in the Congressional operating budget.

The supercollider has had its critics since it was proposed in 1986, among them scientists who feared it would take almost all the federal money available for scientific research. The administration claimed at first that it would cost \$5.2bn, but its estimate has since risen to \$8.2bn, and critics' estimates run to more than \$11bn.

Texas chipped in \$1bn in order to lure the supercollider to Waxahachie, but the administration has claimed all along that a quarter to a half of the cost would be met by foreign participation.

Venezuela trims growth projection

By Joe Mann in Caracas

VENEZUELA has reduced its economic growth projections this year to 4.5 per cent, from the 5.6 per cent or more forecast at the start of the year, Mr Pedro Rosas, finance minister, said.

Due to lower than expected world oil prices, the central government and PDVSA, the national oil company, have both ordered big budget cuts, thus reducing projected economic growth from the record high expansion of 8.3 per cent in 1991.

It is still uncertain what impact Venezuela's ongoing political crisis and the accompanying uncertainty will have on the economy. Last February, a group of army officers tried unsuccessfully to oust the government of President Carlos Andrés Pérez. Since then, the country has been afflicted by violent anti-government protests.

The minister said the government was now expecting a general fiscal deficit of about 5 per cent of GDP for 1992. Of this, 3.5 percentage points would be caused by PDVSA's ongoing capital investment programme while 1.5 points would be due to the central government's fiscal shortfall.

PDVSA will finance most of its deficit through international credits, the minister said. In April, Mr Gustavo Rosas, PDVSA president, said his company's external debt was \$2.17bn and its obligations to Venezuelan banks the equivalent of \$223m.

The Venezuelan government registered surpluses in its consolidated budgets in both 1990 and 1991. The national oil company provides the government with most of its tax revenue, and officials now expect petroleum exports this year to total about \$10.9bn - down from an earlier estimate of \$13.5bn.

Despite the political problems, foreign investment during the first four months of 1992 was considerably higher than for the equivalent period last year, Mr Rosas said.

Perot factor unnerves the Mexican market

US commitment to Nafta dents expectations of an imminent economic miracle, writes Damian Fraser

ROSS Perot as US president may still be unlikely, but the prospect of a close US presidential race this autumn is causing increasing anxiety among Mexican officials and, more significantly, investors in the country's volatile stockmarket.

The Mexican Bolsa fell 12 per cent in the first three days of the week, partly recovering by yesterday. The plunge was in part because of Mr Perot's (admittedly inconsistent) declarations against the proposed North American free trade agreement. The fear is not just that he might win, but that his popularity might force Bill Clinton, the Democratic candidate, and wavering congressmen to be much more circumspect in their support for the agreement.

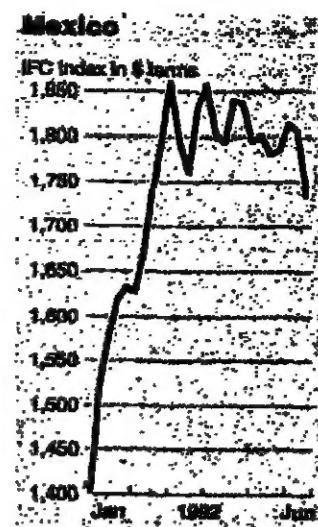
Although Mexico's economy is in its best shape for at least 20 years, the country remains acutely dependent on events in the US. Some 70 per cent of Mexico's trade is with its northern neighbour, and if US growth were to remain sluggish, Mexico's exports would suffer. More important, Mexico is likely to run a current account deficit of more than \$16bn this year, and depends on mainly US capital inflows to plug the gap.

If the political uncertainty engendered by the Perot candidacy affects the US economy, Mexico thus suffers too. Add to that the fear that Nafta will not be passed, and the recent gloom in Mexico becomes understandable.

Nafta matters, says one investment banker visiting Mexico, because it will encourage fund managers to treat Mexico as part of North, rather than Latin, America. Mexican risk will fall appreciably, and Mexican companies will thus be valued more like US than say Brazilian ones. For a country which culturally and politically is much closer to most Latin American nations than the US, that is quite a feat.

The government has argued that the underlying economy is in good shape. Mexico's total debt to GDP ratio is 28 per cent, against 74 per cent when President Carlos Salinas came to power, suggesting that Mexico has put the debt crisis behind it. Inflation is falling and is likely to be around 12 per cent this year, while the budget is in surplus. With or without Nafta, the foundations for stable economic growth appear to have been built.

The trouble is that Nafta has raised expectations of an imminent "Mexican miracle". This year alone Mexican companies have issued an estimated \$4bn in equity, in an attempt to raise capital in anticipation of integration with the US. Banamex, the financial group comprising Mexico's largest bank, was planning to issue \$1.5bn of new equity next week, although the recent falls in the stockmarket mean it may have to offer fewer shares, at a discount. Many banks and companies in line to issue stock after Banamex may now postpone.



Source: Economist Intelligence Unit

Mr Jorge Mariscal, an analyst at Goldman Sachs, put the case for the agreement succinctly. "For investors considering Mexico it [Nafta] means an historical shift in Mexican attitudes towards its northern partners and therefore a drastic reduction in the perception of risk. Under Nafta, Mexico would find it very difficult to revert to the protectionist, interventionist economic models which characterised the 70s and 80s." If the agreement is in doubt, the reverse logic can be applied.

The Mexican government is probably kidding itself for not starting the free trade talks (in earnest) until September last year. Like almost everyone else, they overestimated the popularity of US President George Bush, and believed that his commitment to a free trade agreement was enough. Now they will have to sit through the next six months, quietly cheering on George Bush, while making discreet overtures to Bill Clinton.

Brighter prospect of US help for Russia

By Derek Martin, US
Editor, in Washington

THE prospects for Congressional approval of the US contribution to the \$24bn international assistance package to Russia have been much improved, but not guaranteed, by President Boris Yeltsin's speech to the US legislature on Wednesday.

Yesterday, Mr Bill Clinton, the prospective Democratic presidential candidate, had breakfast with the Russian president and afterwards urged Congress to take swift action.

Mr Clinton rejected any link between the provision of assistance and Russian progress in identifying US prisoners of war who may have been held on Russian soil. "We have no reason to believe that he [Mr Yeltsin] will not proceed in complete good faith on that. We would not even know about that issue had he not raised it," Mr Clinton said.

The Congressional leaders still have not set a date for formal consideration of the aid package, the grandly titled

Freedom Support Act. Yesterday, Senator John Warner, the Virginia Republican, predicted a vote "in a week or 10 days."

Mr Yeltsin's speech and personal lobbying seem to have swayed doubters on both the Republican right and Democratic left.

The most conspicuous convert was Senator John McCain, the Republican from Arizona, and a former prisoner of war, while Senator Patrick Leahy, the Vermont Democrat and sceptic on the efficacy of aid to Russia, conceded that the Yeltsin speech "will win him a lot of votes."

However, Congress still expects President George Bush to follow the successful summit by canvassing hard in the days to come on Capitol Hill. The president said he thought support in Congress for Russian aid was now "overriding."

Critical voices still resound, even so. For example, Mr Ray Flynn, mayor of Boston, said yesterday it was "outrageous" that Congress should "hand out" Russia while providing "a pittance" to American cities.

Emergency urban aid package near

AN emergency urban aid package looks set to come to fruition in the US, seven weeks after the Los Angeles riots sparked a new political interest in helping the distressed inner cities, reports George Graham in Washington.

The House of Representatives was due to vote on the urban aid bill yesterday, after a hard-won compromise between Democratic Congressional leaders and the Republican White House.

The final package roughly splits the difference between an administration-backed proposal to provide \$500m of disaster aid - to cover the damage caused by the Los Angeles riots as well as the Chicago floods in April - and a more ambitious Senate plan. The latter's proposals, backed by Democrats but also by some Republicans, would have added \$1.4bn more for summer job creation, youth and crime-fighting programmes.

Argument over these proposals has held up action to help the cities for weeks.

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NEWS: UK

Union urges inquiry into Courage pension fund

By Michael Smith,
Labour Correspondent

CITY regulators have been asked to investigate the pension fund manager of Courage, the brewer, after the fund was forced to write off a £10m investment in a company related to Foster's Brewing Group, Courage's Australian owner.

The Transport and General Workers' Union has written to Imro, the self-regulatory body for the fund management industry, urging an inquiry.

The union also wants Imro to look at the separation of the fund management from the main company. The investment manager for the fund is Pyrford International, formed by the managers of Elders Investment Management in early 1991 in a buy-out from Foster's, then known as Elders IXL.

Courage said that since the write-off in 1991, the trustees had decided to invest no further money in companies related to Foster's. The pension fund also owns the head office of Courage, at Staines, Middlesex.

Imro said it was considering the TGWU letter and had had talks with the Occupational Pension Board, Courage, the fund trustees and the union.

The TGWU request follows the appointment of receivers earlier this month to Mr John Elliott's International Brewing Investments, which had a 32 per cent stake in Foster's.

The receivers were appointed by BHP, the Australian energy and steelmaking company, following the end of a moratorium on interest payments on about £82.6m of debt acquired by IBI to finance the purchase of its Foster's shareholding.

In a letter to Imro at the end of May, Mr Brian Reville, TGWU acting national official, said his union and its Courage members had been concerned for some time that the ownership structure had major debt problems.

The £10m pension fund write-off followed an investment of that amount in 1988 in Harlin Holdings, now known as International Brewing Holdings, which was used by Mr Elliott and others to buy shares in Foster's.

According to the fund trustee's report for 1990-91, the investment has "like other leveraged stocks, seen its market value tumble in 1990". Courage said the write-off compared with funds under management last June of £288m.

Government emphasises significant drop in average earnings

Jobless rate climbs to 9.6%

By Emma Tucker,
Economics Staff

THE NUMBER of people out of work in the UK climbed to more than 2.7m last month, the highest level for nearly five years.

Although the 21,300 rise in the jobless total in May was smaller than most economists had forecast, it pushed the unemployment rate to 9.6 per cent. It followed a rise of 42,000 in April.

With convincing signs of economic recovery still absent at the end of a week in which a string of economic statistics has been released, the government yesterday pointed to a slowdown in the average rate of increase in unemployment and a significant drop in the rate of growth of average earnings.

Commenting on the unemployment figures Mrs Gillian Shephard, the employment secretary, said: "The average rate of increase in unemployment in the latest three months is the smallest recorded for any three-month period since the three months to September 1980."

In the three months to May

UK unemployment

	14.4%
A Northern Ireland	
B North	11.1%
C north-west	10.5%
D west Midlands	10.5%
E Yorks & Humber	9.7%
F Wales	9.5%
G Scotland	9.3%
H south-east	9.1%
I south-west	8.9%
J east Midlands	8.7%
K East Anglia	7.4%
UNITED KINGDOM	9.6%

unemployment grew by an average of 23,900 a month compared with 29,400 in the three months to April.

The number of people out of work has risen by 70 per cent since unemployment levels started to go up 25 months ago. The Department of Employment's estimate of the trend is for it to continue to grow by between 25,000 and 30,000 a month for the rest of the year.

Other figures from the Department of Employment showed that average earnings

growth eased to 7 per cent in the year to April. In spite of falling inflation and rising unemployment throughout the recession, this was the lowest rate of earnings growth for 25 years. It is expected to carry on falling as lower pay settlements in the second half of last year feed through to the index.

The slow-down in average earnings growth contributed to a sharp drop in unit wage costs and a rise in productivity in April. Mrs Shephard said that the containment of wage costs

would help to protect and create jobs.

Mr Tony Blair, Labour's employment spokesman, described the rise in the jobless total as dire.

"It is now clear that the government's pre-election promises of a quick economic recovery have evaporated in the post-election night of day," he said. Unemployment increased in all parts of the UK but continued to rise fastest in London and the South-East.

Since May last year the number of people out of work in this region has risen by 2.4 per cent with one in 10 now unemployed. The seasonally adjusted month-on-month increase of 10,100 was more than three times the size of monthly increases elsewhere.

Other regions where unemployment rose faster than average included the East Midlands, the West Midlands and the South West. The lowest rate of increase was in Scotland where unemployment was only 0.8 per cent higher than a year ago. The unemployment rate for men was 12.9 per cent, significantly higher than the rate for women which was 5.2 per cent in May.

Major determined to keep EC enlargement on track

By Philip Stephens,
Political Editor

MR JOHN MAJOR, the prime minister, last night underlined his determination to prevent uncertainty about the Maastricht accord from derailing British plans to place the future enlargement of the EC at the centre of its community presidency.

In talks in Downing Street with Mr Anibal Cavaco Silva, the Portuguese prime minister, Mr Major said he wanted next week's Lisbon summit to give a clear signal that the EC was ready to accelerate negotiations on the entry of the EFTA countries.

Mr Major plans to use the British presidency to lay the groundwork for detailed negotiations with Sweden, Norway, Finland and Austria in the first half of next year.

Assuming that the result of the Irish referendum on Maa-

stricht today is positive, the British prime minister also wants the summit to give the go-ahead for work to define more closely the responsibilities of the Community.

Spelling out the implications of the "subsidiarity" provision is seen as a key element in any deal to allow Denmark a second referendum which might endorse the treaties on political and monetary union.

Mr Major would like during the British presidency to shelve Mr Jacques Delors' proposals for a large increase in the Community's resources.

In spite of the clear rejection by EC finance ministers of any increase on the scale recommended by the Commission president, however, British officials believe Spain will lead a group of southern countries determined to keep the issue on the agenda.

So Mr Major will be looking for a political declaration from

the 12 leaders which signals that the EC must respect the same budgetary constraints as national governments. The aim would then be to agree a modest increase in resources at December's Edinburgh summit.

In the House of Commons yesterday Mr Major repeated his insistence that Britain would not follow Denmark, Ireland and France in holding a referendum. He said such a vote would fall outside Britain's traditions of parliamentary sovereignty.

The cabinet deferred until next week its formal decision to endorse Mr Delors for another two years. The deferral was intended to frustrate Conservative Euro-sceptics' opposition to Tory backing for the current president. Ministers will approve the re-appointment just a few hours before Mr Major flies to the Lisbon summit on Thursday.

British Rail losses rise to £150m

By Richard Tomkins

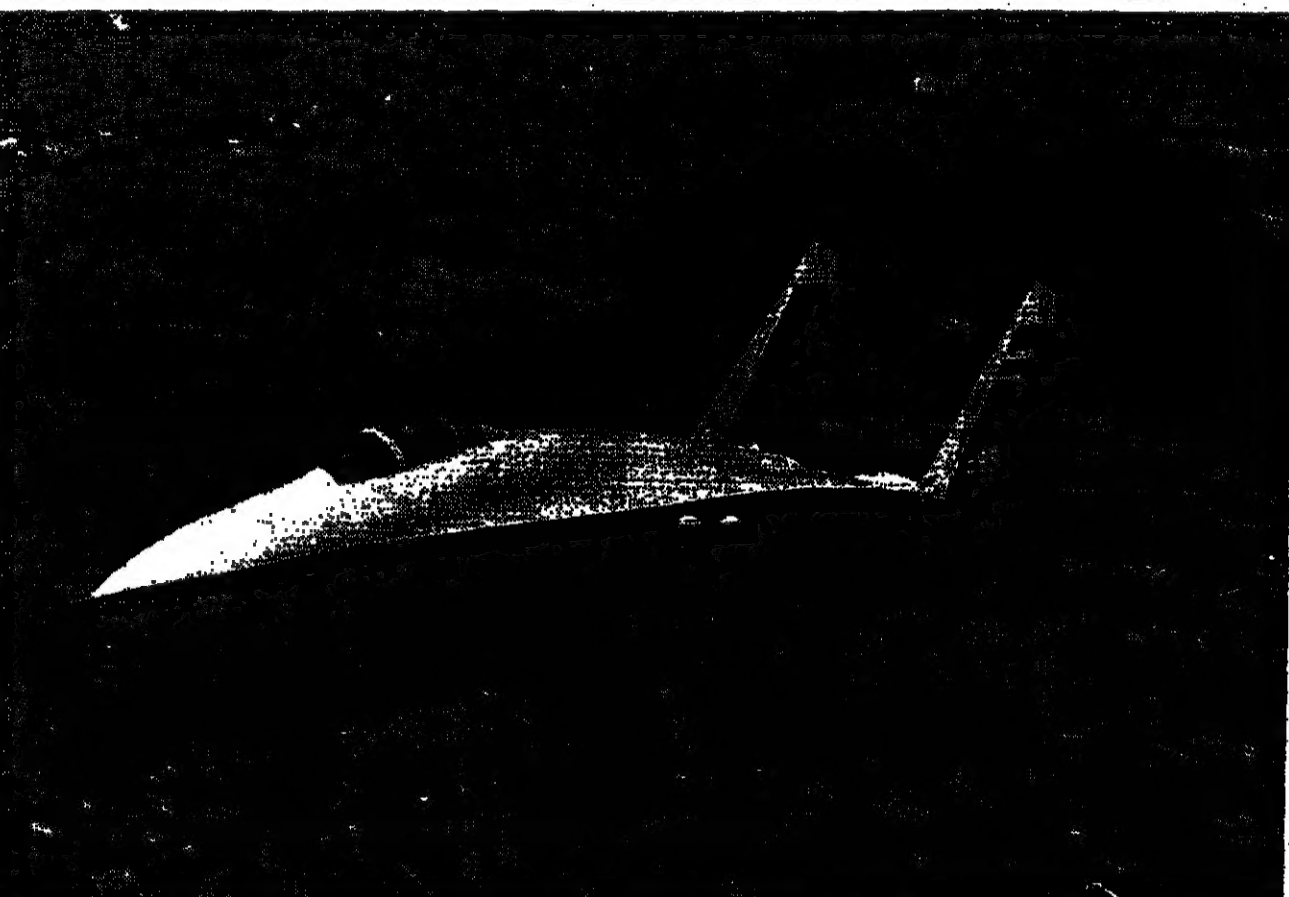
BRITISH RAIL is about to announce that its losses for the year to March have increased sharply from the previous year's £10.8m to a worse-than-expected £150m.

The scale of the losses will greatly increase the government's difficulty in stimulating private sector interest in its plans to nationalise BR.

All the passenger sectors have suffered a decline in revenues, partly because commuting has declined with the rise in unemployment and partly because fewer people are travelling for leisure or shopping.

InterCity, which has been profitable for the past five years and receives no government subsidy, is believed to have turned in an operating profit of barely £5m compared with the previous year's £49.7m. The two subsidised sectors - Network SouthEast, which lost £154.9m last year, and Regional Railways, which lost £503.4m - will report heavy increases in their losses, although these will be mostly offset by increases in government grants.

The freight side has also performed badly. Although Trainsload Freight, the bulk freight business, is expected to turn in a profit, losses at Railfreight Distribution are believed to have worsened from the previous year's £182.3m.



Aerial power: a Sukhoi Su 27 fighter, NATO codename Flanker, was put through its paces above London's Thames Barrier yesterday. It is one of the most advanced fighters built in the former Soviet Union. The aircraft is equipped to carry up to 10 air-to-air guided missiles. Sponsored by a Russian insurance company, the Flanker is visiting Britain for the Biggin Hill air show in Kent, where it is part of a newly-established Russian aerobatics team called The Test Pilots

Britain in brief



Shorts cuts 400 jobs as demand falls

Shorts Brothers, the Belfast aircraft and missiles manufacturer, has announced 400 job losses, blaming the recession for falling demand and sales.

Shorts, acquired by Canadian transportation group, Bombardier, in October 1989, has given 90 days' notice of the lay-offs to the department of economic development.

The company has already ceased production of the F350 commuter aircraft, and is running down production of the 843 Sherpa military aircraft for the US Army and National Guard. Shorts said there would be some enforced redundancies but efforts would be made to keep them to a minimum.

Agencies win Revenue work

Private employment agency staff will next month take over some of the most confidential and politically sensitive work in government administration, as the contracting out of central government services gets under way.

Personal secretaries, typists and other support staff at the Inland Revenue's new head office building in Nottingham will be supplied under contract by Blue Arrow Personnel Services. The work contracted out in both cases involves handling confidential correspondence and sensitive policy papers.

UK lending rises slowly

The second successive monthly rise in lending by banks and building societies has provided

further signals about a modest upturn.

Lending by these groups to companies and individuals rose by a seasonally adjusted £3bn last month, after a £3.1bn increase in April, the Bank of England said yesterday.

The message about increased demand for credit was supported by the British Bankers' Association (BBA), which said its nine member banks increased lending by an adjusted £2.2bn in May, after £2.6bn in April.



England batsman Alec Stewart (above) steers a ball past a Pakistani fielder at Lord's on the first day of the England-Pakistan test. The England cricketer scored 74 before being caught out by Javed Miandad, the Pakistan captain. England were 265 all out.

Problems at N-waste site

Geological investigations by UK Nirex, the nuclear waste consortium, into its chosen site for Britain's first underground repository for radioactive waste suggest it may have great difficulty arguing it would be safe, according to a new report by independent consultants. Information from the first four test boreholes reveals that water in the rock which would surround the repository travels upwards as a source of drinking water, says the report by consultants Environmental Resources.

Bus companies to be sold off

Public sector bus companies in all Britain's largest towns and cities are to be privatised under plans being prepared by the Department of Transport.

They include state-owned London Buses; the municipally-owned bus companies in the metropolitan areas of Greater Manchester, Merseyside, South Yorkshire and Strathclyde; and other municipal bus companies in cities including Nottingham, Cardiff, Southampton, Hull and Leicester.

Privatisation of the 35 companies will represent the biggest shake-up of Britain's bus industry since the privatisation of the National Bus Company's 56 component companies between 1986 and 1988.

'Debate' risk on pensions

The Equal Opportunities Commission has warned the government it risked "a debacle" over its handling of the equalisation of state pension ages for men and women.

Large sections of the population would not know until too late that they could be worse off under pension measures being considered by the government, said the commission. Women, in particular, stood to lose out if their age of entitlement to state pension was raised from 60 to 65 - the current retirement age for men.

Rembrandt sells for £159,500

A print by Rembrandt, Christ Crucified between Two Thieves, has been sold for £159,500 at Christie's, at the bottom of its estimate. Executed in drypoint in 1633 the print is extremely rare: in 1880 Rembrandt dramatically altered the composition.

It was the top price in an auction of Old Master prints collected in the late 19th century by an aristocratic German family.

Lloyd's may fund extra relief for Names

By Richard Lapper

LLOYD'S of London is in discussions with agents and brokers at the insurance market to fund extra hardship relief for Names suffering in recent losses. Mr Alan Lord, chief executive of Lloyd's, announced yesterday.

A fully fledged bail-out scheme that would cap past losses has been rejected as "unviable", Mr Lord said.

Under the hardship arrangements, which are negotiated individually, Names - the individuals whose assets back underwriting at the market - are allowed to retain a home and modest income. In return, Lloyd's restructures their debts. "We do not reduce them to pennies," Mr Lord said.

Mrs Mary Archer, who chairs the committee, said the council had reached agreement with 39 Names, while a total of 95 offers had been made. A total of 1,185 Names had applied to the committee. "Contrary to popular opinion, Lloyd's has never bankrupted, nor will it bankrupt Names who wish to meet their underwriting obligations," said Lloyd's.

Referring to the bail-out schemes, Mr Lord said the council had considered three types of plan over the past two months covering: losses for 1989 alone; net losses for the 1986-89 period; and a loan scheme to help Names facing liquidity difficulties. All were rejected on a variety of legal, practical and commercial grounds, Mr Lord said.

A plan to limit Names' losses from next year has been introduced, and its terms improved from those recommended in January.

Cumulative losses over a four-year period will now be capped at an amount equivalent to 80 per cent of their premium income limit - the amount the premiums they are allowed to accept - rather than the 100 per cent proposed.

Abandoning new Tube extension may cost £200m

By Andrew Taylor,
Construction Correspondent

The cost of abandoning the £1.7bn planned extension of London's Jubilee underground line - under threat because of the failure of Canary Wharf office development - could be more than £200m according to the London Docklands Development Corporation.

Olympia & York the developers of Canary Wharf had promised to pay £40m over 25 years towards the cost of the line. The Canary Wharf project last month was put into administrative receivership putting the Jubilee Line extension in jeopardy.

The government has said it will not go ahead with the line unless a purchaser can be found for Canary Wharf which would be willing to take over Olympia & York's contribution to the extension.

The London Docklands Development Corporation (LDDC) in a briefing paper submitted to the Transport Department says taxpayers and shareholders of construction companies have already spent more than £100m in preparatory work on the extension.

London Transport it says has spent £100m on bringing preliminary designs to the point at which contractors can tender for work. Contractors it estimates separately have spent £20m on preparing bids.

LDDC estimates that the costs of aborting the extension could be a further £35m to £85m. It says that delaying the work would only increase costs as construction teams would have to be rebuilt and bid prices would be likely to rise.

Each one per cent increase in price would add about £15m to the cost of the project said the corporation. It wants the line to go ahead to give much needed fillip to redevelopment plans which have been affected

badly by the collapse of the property market.

"Office and other space will fill up very much more slowly if the Jubilee Line extension is postponed or cancelled," it says.

Contractors have submitted bids for almost all of the 10 mile extension. London Transport have already identified an all-Italian consortium led by Italstrade as being likely to win the contract for the 2½ mile section between Canary Wharf and Canada Water on the south bank of the River Thames.

The LDDC refutes the view that government funds earmarked for the extension could be used for other transport projects.

It says: "Even if the Treasury agreed to such an approach, which is doubtful, London Underground and British Rail would not be able to bring sufficient projects forward at such short notice."

FULL LIST OF CHARGES

against Kevin and Ian Maxwell and Larry Trachtenberg

The full charges faced by Kevin Maxwell, Ian Maxwell and Larry Trachtenberg are:

KEVIN MAXWELL

1 That you did, together with Larry Trachtenberg on divers days between May 1 and December 10 1991, conspire to defraud the Swiss Bank Corporation of £55,783,466.76 by dishonestly being party to the sale of securities belonging to the First Tokio Index Trust Ltd which you knew was contrary to representations and warranties given to the said bank.

Conspiracy to defraud contrary to common law.

2 That you did, together with Larry Trachtenberg, on or about September 30 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Lloyds Investment Management Ltd to a value of £7,009,056 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

3 That you did, together with Larry Trachtenberg, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Lloyds Investment Management Ltd to a value of £12,446,703.56 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

4 That you did, together with Larry Trachtenberg, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange to a value of £5,067,292.86 being the property of AGPFT Ltd.

Contrary to Section 1 Theft Act 1968.

5 That you did together with Larry Trachtenberg, on or about October 31 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Invesco MIM plc to a value of £12,375,215, being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

6 That you did, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange formerly managed by Thornton Investments Management Ltd to a value of £5,939,885.46 the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

7 That you did, between November 4 1990 and November 9 1990, steal one million Berlitz International Incorporated common stock shares, belonging to Macmillan Incorporated.

Contrary to Section 1 Theft Act 1968.

8 That you together with Ian Maxwell and Larry Trachtenberg on divers days between November 10 1991 and November 14 1991, conspired to defraud the Swiss Volks Bank (the bank) of £35.5m dishonestly and falsely representing two officers of the bank:

(i) That Robert Maxwell Group plc was the legal and beneficial owner of 2.4m common shares in Berlitz International Incorporated (the shares).

(ii) That Robert Maxwell Group plc had the right to execute, deliver and to perform its obligations pursuant to a pledge agreement between the bank and Robert Maxwell Trading plc.

(iii) That the Robert Maxwell Group plc had good and marketable title to the shares, free of any and all security interests or options, in favour of, or claims of, any other person except the bank.

Contrary to common law.

LARRY STEVEN TRACHTENBERG

1 That you, together with Kevin Maxwell on divers days between May 1 1991 and December 1991, conspired to defraud the Swiss Bank Corporation of £55,783,466.76 by dishonestly being party to the sale of securities belonging to First Tokio Index Trust Ltd which you knew was contrary to representations and warranties given to the said bank.

Conspiracy to defraud contrary to common law.

2 That you did, together with Kevin Maxwell on or about September 30 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Lloyds Investment Management Ltd to a value of £7,009,056 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

3 That you did, together with Kevin Maxwell on or about the October 22 1991, stole a portfolio of securities quoted upon the International Stock Exchange managed by Lloyds Investment Ltd to a value of £12,446,703.56 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

4 That you did, together with Kevin Maxwell, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange to a value of £5,067,292.86 being the property of AGPFT Ltd.

Contrary to Section 1 Theft Act 1968.

5 That you did, together with Kevin Maxwell, on or about October 31 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Invesco MIM plc to a value of £12,375,215 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

6 That you, together with Kevin Maxwell and Ian Maxwell, on divers days between November 10 1991 and November 14 1991, conspired to defraud the Swiss Volks Bank (the bank) of £35.5m by dishonestly and falsely representing to officers of the bank:

(i) That Robert Maxwell Group plc was the legal and beneficial owner of 2.4m common shares in Berlitz International Incorporated (the shares).

(ii) That Robert Maxwell Group plc had the right to execute, deliver and to perform its obligations pursuant to a pledge agreement between the bank and Robert Maxwell Trading plc.

(iii) That the Robert Maxwell Group plc had good and marketable title to the shares, free of any and all security interests or options in favour of, or claims of, any other person except the bank.

Conspiracy to defraud contrary to common law.

IAN MAXWELL

1 That you, together with Kevin Maxwell and Larry Trachtenberg, did on divers days between November 10 and November 14 1991, conspire together to defraud the Swiss Volks Bank (the bank) of £35.5m by dishonestly and falsely representing to officers at the bank:

(i) That Robert Maxwell Group plc was the legal and beneficial owner of 2.4m common shares in Berlitz International Incorporated (the shares).

(ii) That Robert Maxwell Group plc had the right to execute and deliver and to perform its obligations pursuant to a pledge agreement between the bank and Robert Maxwell Trading plc.

(iii) That the Robert Maxwell Group plc had good and marketable title to the shares, free of any and all security interests or options in favour of, or claims of, any other person except the bank.

Conspiracy to defraud contrary to common law.

Last will and testament of Robert Maxwell

I, IAN ROBERT MAXWELL, of Headington Hill Hall, Oxford, England, publisher, hereby revoke all Wills and Testamentary Dispositions heretofore made by me and declare this to be my last Will.

I appoint my wife, Elisabeth Jeanne Maxwell, Ellis Freedman, attorney-at-law of the State of New York, my sons, Ian and Kevin Maxwell, my daughter, Christine Mallina, and each of my other children who shall be actively engaged in the executive senior management (i.e. being a Director) of any of the group of companies owned or controlled by the Pergamon Holding Foundation (PHF), or any other companies in publishing, printing, communications or related fields that are associated with any of the said companies (collectively hereinafter referred to as the Pergamon Group (PG)) as the Executors of this my Will, provided, however, that upon Mr. Freedman's attaining the age of 70 or ceasing to be actively engaged in the practice of law, whichever shall first occur, he may be removed by a written instrument signed by a majority of the other Executors then serving. The term "actively engaged" as used in the preceding sentence shall be construed to mean full time employment and hold the position of Director in at least one of the operating companies in the Pergamon Group. If at any time neither my said wife, Mr. Freedman nor any of the remaining Executors may appoint one or more persons to serve as successor Executors in their place.

If at any time there shall be less than four Executors serving, they or a majority of them shall have the right to appoint one or more successor Executors.

I direct my Executors to arrange for my burial in an orthodox Jewish cemetery in accordance with orthodox Jewish rites in Jerusalem.

I direct that the cash legacies to individuals hereinafter provided shall be paid as soon after my death as may be practicable and free of all duties and taxes payable on my death.

I give to my dear wife, Elisabeth Jeanne Maxwell, all my personal chattels as defined in Form Two of the Statutory Will Forms 1925, not otherwise hereby or by and Codicil hereto specifically disposed of, and the sum of £500,000, if she shall survive me.

I give to each of my children who shall survive me the sum of £200,000. In the event that any of my children shall not survive me the legacy given to that child shall be paid in equal shares to his or her issue surviving me, per stirpes.

I give the sum of £150,000 to my sister, Sylvia Rosen. In the event that my sister, Sylvia Rosen, shall not survive me, the legacy of £150,000 given to her shall be paid in equal shares to her issue surviving me, per stirpes.

I give the sum of US\$100,000 each to my niece, Helene Aikin, and my nephew, Michael Aikin, if they shall survive me.

I give to Jean Baddeley, in recognition of her many years of loyal service and hard work, the sum of £100,000 if she shall survive me.

If any beneficiary under my Will shall be bankrupt at the date of my death any amount that he or she would otherwise have received under my Will shall be held on protective trusts for such beneficiary under Section 33 of the Trustee Act 1925 instead of absolutely for such beneficiary.

If any beneficiary under my Will shall contest its validity or the validity of any of its provisions such beneficiary shall if the Will or such provisions are upheld be entitled to one thousand pounds only instead of the gift the beneficiary would otherwise have had.

All gifts to any beneficiary who is an individual are conditional upon a majority (including my wife if then living) of the Executors of this my Will

stating in writing not later than two years after my death that in their opinion the beneficiary in question has not been guilty of conduct tending to bring my family or the Pergamon Group into disrepute or otherwise harmful to my family and failing such instrument such gift shall fall into my residuary estate.

I give to an orthodox synagogue or Beth Midrash in Israel to be selected by the Ashkenazi Chief Rabbi of Israel, as an endowment to ensure that prayers be said in perpetuity for my parents, my sisters and brother and myself on the anniversaries of our deaths, or any other date chosen by the said Chief Rabbi such amount as may be needed for that purpose.

In the case of a gift to a person under the age of 18 years the receipt of their parent or guardian shall be a good discharge.

I give, devise and bequeath all the rest, residue and remainder of my estate after payment of all liabilities of my estate and any duties or taxes payable on my death to the trustees of a new trust to be called "The Maxwell Family Charitable Trust" intended at the date of this my Will to be set up in the near future if the same shall be constituted at the date of my death (failing which I give devise and bequeath the same to my Executors) in each case upon trust to divide the same in four equal parts (Funds A, B, C and D respectively) and to hold such funds and to apply the income of each of such Funds to the following uses and purposes:

1 Fund A to provide financial assistance to the people of Israel in the defence to the State of Israel.

2 Fund B in support of primary scientific and medical research in the following areas:

(a) Assisting in the eradication of cancer, especially to favour those researchers who are attempting to alter the behaviour of cancer cells to become benign or to convert themselves into the defenders,

rather than the attackers, of the biological system;

(b) The eradication of heart disease;

(c) Research on the human brain, looking to a better understanding of the brain as a way of curing and controlling dementia and Alzheimer's disease and the restoration of brain functions to persons suffering severe head injuries.

3 Fund C to encourage and assist capable young people in the setting up of their own businesses in the fields of media, communications and information, on the understanding that they will contribute 10 per cent of the equity of their businesses to Fund C on receipt of the grant and will ultimately refund to Fund C the monies advanced if they are successful. The Trust shall hold an annual prize-giving symposium at a place to be designated by the Trust and to be organised in connection with a world young entrepreneurs' forum which will be held under the auspices of 12 to 20 of the world's leading businessmen invited to serve by the Chairman of the Pergamon Group (or if there is no such Chairman, the Chairman of the principal operating company in the Group).

4 Fund D to fund the efforts of such individuals in the social and behavioural sciences, including politics, whose ideas, in the opinion of a panel of distinguished advisers in those fields to be selected by the Chairman of the Pergamon Group (or if there is no such Chairman, the Chairman of the principal operating company in the Group), would contribute to the avoidance of war and conflicts between nations, the elimination of racial hatred, and making the primary, secondary and tertiary educational systems more practical in the preparation of children and students for a life of change that will better enable them to contribute both to the creation of wealth and the



Robert Maxwell: arrange my burial in an orthodox Jewish cemetery

enjoyment of leisure. The Trust shall use its best endeavours to link together the two groups of young people to be benefited under the provisions of this paragraph 4 and the preceding paragraph 3, by bringing them together in the annual conference mentioned above.

If in any year the entire income of any of the Funds is not used for the purposes aforesaid, the surplus shall be transferred to the reserve of the Fund in question and become part of its principal.

It is my hope that the Pergamon Holding Foundation, whose assets I have helped to build up to their present massive capacity, will commit themselves to support all of the foregoing purposes.

The Trust shall maintain a small professional staff responsible for encouraging and supporting these programmes and ensuring their worldwide dissemination.

I direct that all my shares of stock of any companies in which I may own a controlling interest and of all companies in the Pergamon Group that my said Executors may receive shall continue to be held by my said Executors and shall not be sold or otherwise disposed of by them except as part of the distribution of my estate; provided that the foregoing direction shall not preclude the sale or other disposal of individual companies, when compelling business or political considerations so dictate.

The provisions of Clauses 4, 8 and 10 of a Declaration of

Trust dated 21 December 1986 constituting the Maxwell Charitable Trust shall, so far as capable of so applying, apply to the Trusts of this Will as if incorporated herein in extenso.

In the event of any dispute or difference amongst my Executors, the decision of a majority shall control; any deadlock shall be resolved by lot.

I desire and declare that Jean Baddeley shall continue to be employed in and about the management of my estate and that such engagement be upon the most generous terms of compensation that may be deemed appropriate.

No Executor may be liable for any loss or breach of trust not attributable to his own dishonesty and no Executor shall be bound to take any proceedings

against a co-Executor or former Executor or his personal representatives for any breach or alleged breach of trust committed or suffered by any such co-Executor.

In witness whereof I have hereunto set my hand to this and the six (6) preceding pages this 12th day of July, nineteen hundred and eighty-seven.

Ian Robert Maxwell
Signed by the said Ian Robert Maxwell, the Testator, as and for his last Will in the presence of us, each being present at the same time, who at his request, in his presence and in the presence of each other have hereunto subscribed our names as witnesses.

A.M. Martin residing at 46 Rushdrie Road, Putney, London SW15.
L.A. Denton residing at 196 Upper Road, Kennington, Oxford OX1

Codicil

I, Robert Maxwell, residing at Headington Hill Hall, Oxford, England, do hereby make, publish and declare this codicil to my last will and testament:

FIRST: In addition to any and all other provisions that I have made for her, I give, devise and bequeath to my wife, Elisabeth Maxwell, all my right, title and interest in and to the three apartments located in France in which both she and I have an interest.

In witness whereof I have signed my name and affixed my seal at New York, N.Y., U.S.A. on this 30th day of December, 1980.

Robert Maxwell signed, sealed, published and declared by Robert Maxwell, the testator above named, as and for a codicil to his last will and testament in our presence and we at his request in his presence and in the presence of each other have hereunto subscribed our names as witnesses on the day and year last above written.

Ellis Freedman Residing at 300 E 59 St, New York
Joyce B Howells Residing at 126 Texas Ave, Bronxville, N.Y. 10708

Police helped by accountants

By Andrew Jack

THE ARRESTS of Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg yesterday by the Serious Fraud Office follow several months of inquiries by a team of more than 50 police officers and other staff, given considerable support by accountants acting as administrators to the Maxwell companies.

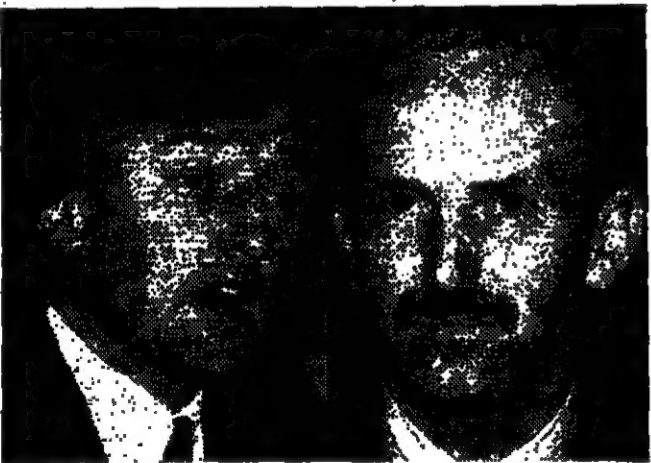
The SFO staff is still working on further investigations which may lead to additional charges in the coming months. Mr John Tate is controller of the SFO Maxwell team, which includes several lawyers and up to 30 accountants seconded from the forensic division of KPMG Peat Marwick.

But besides its own inquiries, the SFO has also been able to draw on information from the substantial investigations work conducted by accountants who were administrators acting on behalf of creditors to the Maxwell public and private companies.

Mr John Talbot, a partner with Arthur Andersen, has co-ordinated the administration of the private Maxwell business empire of more than 400 companies.

The firm passed information on alleged MCC share support operations to the SFO.

Mr David Tell, head of the



Liquidator Neil Cooper and investigator John Talbot

litigation and special investigations services unit at Price Waterhouse, administrators to Maxwell Communications Corporation, has been equally important.

Mr Neil Cooper, the partner at Robson Rhodes, liquidator to Bishopsgate Investment Management, manager and trustee of the pension funds, has also been investigating movements of money.

The accountants have had access to the police under special powers given to them by the 1986 Insolvency Act.

So-called "section 236" inter-

views allow them to ask questions of individuals, who have no right to silence. This information cannot be passed on to police.

Nevertheless, there have been regular meetings to share other information by the different accountants and the SFO. Private investigators have also been employed to help trace assets and identify movements of money.

The SFO has publicly announced five separate inquiries between November 1991 and January this year in conjunction with the City of London police, to which some of

the yesterday's charges relate:

● November 18, 1991: a £50m loan from Swiss Bank Corporation to Adviser (188), a company owned by Headington Investments, after a complaint from Swiss Bank Corporation.

● December 4: allegations concerning the management of assets of the Mirror Group Newspapers Pension Fund.

● December: further allegations concerning money missing from MGN, following a complaint from Mirror Group.

● December 18: arrangements made to support the price of MCC shares, following receipt of information from Arthur Andersen, administrators of the private Maxwell interests passed to the Department of Trade and Industry.

● January 3 1992: assets including cash and investments removed from MCC, launched following investigations by Price Waterhouse, administrators to MCC.

The charges against Mr Kevin and Mr Ian Maxwell and Mr Larry Trachtenberg appear to relate principally to the Swiss Bank Corporation loan and alleged thefts of pension fund money. There is no mention of share support allegations, by which directors buy shares in their own companies but do not disclose the purchases as required by UK company legislation.

Lecturer rues his expensive mistake

By Robert Corzine

JUST HOURS before his arrest yesterday Larry Trachtenberg was musing on the events over the past decade which carried the 38-year-old American from a lecture hall at the London School of Economics to the dock at Bow Street magistrate's court, alongside Kevin and Ian Maxwell.

"It was an expensive mistake," he said, referring to the last in a series of career changes which saw the former lecturer in international relations at LSE rise to a sensitive financial position at the heart of Robert Maxwell's empire.

Just how expensive will depend on the outcome of the conspiracy to defraud and theft charges which he now faces. But it was already clear before his arrest that the scandal was taking its toll.

The enforced idleness at home while waiting for the police and SFO investigation to unfold grated on a man who had spent much of the past seven years involved in the heady atmosphere of City deal-making.

The speed with which some former close friends and business associates distanced themselves has also taken its toll. "It's as if you're carrying around the stench of a dead cat," he said.

Mr Trachtenberg's rise and fall is a classic story of the City in the 1980s.

In 1985, Mr Trachtenberg, a computer buff, founded Global Analysis Systems (GAS) with fellow American and Oxford academic, Mr Andrew Smith, and a British partner who eventually dropped out.

The original intention of providing high quality on-line analysis of international economic and political developments never really caught on. But it was exactly the type of new media venture which caught the eye of Robert Maxwell, who bought the company in 1987.

He was also intrigued by a bevy of new financial products, such as an early global tracker fund, which Mr Smith was keen to develop.

The spin-off of the financial products of GAS into London & Bishopsgate International



Larry Trachtenberg leaving Snowhill police station, London, for court yesterday. Press reports that he was a driving force behind the Maxwells' labyrinthine financial dealings have been denied by former colleagues and employees

(LEI), a fund management company and financial tool of the Maxwells, was not altogether welcome, at least from Mr Trachtenberg's present perspective.

"I was dragged into the City," he says. But his own transformation from an essen-

tially administrative role to that of a financial operative was quick, though press reports suggesting he was a driving force in the Maxwells' labyrinthine financial dealings are discounted by former colleagues and employees.

MPs say Bank to be more active

By Alison Smith

MPs campaigning on behalf of the Maxwell pensioners were encouraged yesterday that Mr Robin Leigh-Pemberton, the governor of the Bank of England, would take a more active role in assisting in the recovery of assets.

Three MPs from the all-party group - Mr Richard Page, Mr Frank Field and Mr David Shaw - met Mr Leigh-Pemberton to express their concerns about what has been seen at Westminster as a too passive role adopted by the Bank over the Maxwell affair.

They came away with the impression that the Bank had been acquiring information more actively behind the scenes.

They also had the impression that the Bank would be working closely with the special unit to help the pensioners. The unit has been set up in the department of social security and is led by Sir John Cuckney.

Mr Leigh-Pemberton seems to have succeeded in softening the severely critical stance which MPs have taken towards his approach, though there remains some discontent that the Bank's powers are limited in some respects and it cannot act as a City-wide regulator.

The MPs were also cheered that while he recognised the limits of the Bank's formal remit, he was conscious also of the powerful influence that it could exert.

They expressed confidence that once he was sure of the information on which he could act, he would be ready to do so, in order to contribute to ensuring that the government's moral pressure on some banks and financial institutions was effective.

He is to circulate to the MPs a note setting out the constraints of the Bank's position, and is ready to meet them in the autumn if that is still wanted.

The MPs had written asking him to talk to the group, but in the event he may instead give evidence to the all-party social security committee once that has been re-established.

Raids start with home arrests

POLICE began yesterday's events with carefully co-ordinated early morning raids on three homes in expensive parts of London - Chelsea, Hampstead and Belgravia.

For Mr Kevin Maxwell, at his home in Chelsea, it was a highly public arrest. Journalists had been tipped off and were waiting outside his four-storey home when six detectives working with the Serious Fraud Office arrived in two cars.

It was the media presence which led to his wife Pandora to mistake the police for journalists.

Soon after 7am, Mr Kevin Maxwell and his brother Ian, who had been arrested at his home in Belgravia, arrived at the Snow Hill police station in the City of London in separate cars. About an hour later, Mr Larry Trachtenberg, arrived at the same police station after his arrest at his Hampstead

home. In another raid during the morning, five plainclothes officers from the Serious Fraud Office went to the City office in Wardrobe Place where which Mr Kevin Maxwell had been working.

The officers entered the office at about 7.30am and left at 10.40am, taking with them several sacks filled with documents and computer equipment.

Two secretaries arrived at about 8.30am, and remained in the building during the raid, where they were joined by a solicitor an hour later.

Two lawyers representing the Maxwell family also arrived and stayed inside the building during the raid.

In Oxford, life appeared to be carrying on as normal inside Headington Hill Hall, for 32 years the Maxwell family home.

Mrs Betty Maxwell still lives

in the 29-bedroom Victorian mansion but there was no sign of her. She has not been seen on the estate for a few days. A former employee, who has recently been acting as her chauffeur, is on holiday in the US.

Two of the 23 Pergamon Press journalists sacked by Robert Maxwell three years ago kept a vigil outside the automatic security gates. Pergamon Press, the company around which Mr Maxwell built his empire, is still based on the estate but is owned by the Dutch publishing group Elsevier.

Two of the sacked Pergamon Press workers, production editor, Mr Howard Waller, 27, and editorial assistant, Mr Chris Tighe, 25, sat in deckchairs at the back of a Ford Transit truck outside the only entrance to the 14 acre estate.

They watched as couriers brought manuscripts from Pergamon's authors. The Royal Mail will still not pass the National Union of Journalists' picket line to enter the estate and mail is collected each day from the sorting office by Pergamon staff.

In the early morning, police visited the country home of Mr and Mrs Kevin Maxwell, Hill Barn, a converted barn on an isolated hill at Hailley, near Wallingford in Oxfordshire. Items were taken from the house in a polythene bag.

A few minutes later three men, accompanied by another who appeared to be the keyholder, were let into a locked double garage across the gravel yard.

They searched one of the garage units but emerged after 15 minutes apparently empty handed. The team, who said they were from the City of London police, drove off shortly before 10am on their way back to London.

Questions raised by Maxwell's last hours

Jimmy Burns retraces Maxwell's final hours

IN THE larger-than-life story of Robert Maxwell, the manner of his death remains the greatest mystery. Did he fall overboard accidentally or did he commit suicide? Could he conceivably have been murdered?

The lack of witnesses between the time of his last phone call to the crew on board his yacht, the Lady Ghislaine, and the discovery that he was missing has proved a major problem for investigators trying to get at the truth.

Another obstacle has been the inconclusive nature of forensic evidence. Two autopsies were conducted on Maxwell's remains. One suggests death by accident or natural causes. The other leaves open the possibility of suicide or murder.

The evidence of the last 12 hours of Maxwell's life as he cruised, apparently without purpose, around the Canaries, is often confused and contradictory. The official investigations by the Spanish authorities was less than rigorous.

At stake is a \$30m insurance claim. For Maxwell's family and his companies to receive that money they have to prove that he died as a result of an accident or he had been murdered.

The Financial Times has retraced Maxwell's last hours. We have interviewed key witnesses, including the Lady Ghislaine's crew. We have had access to hitherto unpublished documentation including the Spanish police investigation. We have conducted a careful examination of the yacht. The two autopsy reports conducted in Spain and Israel have been made available to the FT. What happened?

Why did Maxwell leave for the Canaries alone on October 31?

Maxwell flew to Gibraltar that morning as his empire was collapsing to meet the Lady Ghislaine. He went without his butler and his personal secretary. He had never done this before. He did not even take a tin of caviar which always accompanied him on his cruises. Before leaving London he made the unusual step of thanking Bob Cole, his press officer and confidant 31 years, for his services. He had been told by the Lady Ghislaine's captain, Gus Rankin, that the boat was not ready for the kind of cruise Maxwell was accustomed to. Two of its crew members - a housekeeper and a steward - were on leave, the storm covers were up, and there were no provisions on board.

Maxwell told Rankin not to worry. He would bring the provisions with him or else "rough it". One of Rankin's predecessors had been dismissed by Maxwell for leaving the wrong coloured pens on his desk.

Maxwell left his London staff in the dark as to where he was going, and why. He told Rankin he planned to take a few days off to recover from a cold. He wanted to be dropped off in Madeira where his private plane would be waiting to take him to New York or London. He arrived in Gibraltar carrying some files and a limited supply of

provisions. Rankin, in his first interview, said he was sceptical about Maxwell's motives. It did not strike him that his employer had a particularly bad cold. "He seemed healthy. He ate well throughout the crossing." He did no work on this trip, which was almost unheard of.

What was Maxwell's state of mind on the crossing? Untroubled, according to those who talked to him during the crossing. They included his sons Ian, the editor of the Daily Mirror Richard Stott, and Rabbi Feilish Vogel. Rankin, and other crew members, say that Maxwell did not seem like a man under pressure, rather like someone who had taken a huge weight off his shoulders and had decided to drift.

The Lady Ghislaine had the technical capacity to control his empire with a push of a button. He almost invariably made use of it. In addition to a fully equipped office it included computers, copiers, shredder, cryptophone and fax machines - a satellite phone by his bedside identi-

towards the Canaries instead. Rankin told Maxwell's widow, Betty, on her arrival in the Canaries, that he thought her husband had killed himself.

One female crew member recalls that at one point she entered Maxwell's office and found the floor covered in documents. She asked him if he wanted them tidied up. He just kicked them under the table - as if he was no longer interested in them.

Maxwell may not have been interested in his documents. But his family was. Two days after his death, according to Maxwell's chief pilot Brian Hull, his daughter, Ghislaine and Betty Maxwell, asked him to pick up some cases from the boat.

Hull says he was handed handed him six hard backed leather cases (4ft high, six ins wide, 2ft long). Betty Maxwell, according to Hull, told him that the documents had to be in London by noon.

Hull flew out at 7.15 next morning reaching the Mirror building in London just before twelve.

picked up no suspicious vessels. Rankin says: "I was on the bridge most of the night. We were doing 14 knots. It was impossible."

Where were the crew? At the time Maxwell died, Captain Rankin and two other crew members were in on the bridge. An engineer was in the engine room. The bridge is sound-proof and the deck is out of ear-shot of the engine room. All other members of the crew were sleeping and heard nothing that drew their attention to Mr Maxwell's movements that night.

Why did the Lady Ghislaine take such a circuitous route on Maxwell's final overnight voyage?

Rankin was first told by Maxwell that he wanted to be taken to Los Cristianos, the southern port of Tenerife, where he would fly out on his private jet. Maxwell changed his mind. Rankin came under orders from his employer to "cruise all night" because it would help him sleep. The log of the Lady Ghislaine shows that after leaving Santa Cruz it set a course for the coast of Gran Canaria.

Rankin discovered that Maxwell was missing around 11.00am - an hour and a half after the boat had docked at Los Cristianos. He did not alert the international Rescue Co-ordination centre, in Stavanger, Norway, until 12.15pm. The Spanish authorities did not learn of Maxwell's disappearance until 12.30pm. Why did Rankin take such a long time to contact the Spanish authorities?

"We had to carry out extensive searches of the boat and the immediate area around the port." He also claims that the Spanish authorities failed to record that he sent a crew member ashore at Los Cristianos soon after the ship-board search had been completed to alert the local maritime police. "I can't remember exactly when that was - around 11.45."

At one point they spotted a swimmer they thought might have been Maxwell. Rankin also says he had difficulty in making radio contact with the local authorities.

Why were the inner, sliding doors to Maxwell's state room locked after he went missing?

On the evening of November 4, Maxwell ordered a stewardess to lock the main sliding doors to his quarters from within, leave the key with him and make her exit through the outer bathroom door, leaving it unlocked behind her.

On the morning Maxwell died, the main sliding doors were found locked from without, the bathroom door was locked from within, and the heavy steel framed doors leading to the deck were closed. Maxwell's key was missing. Rankin had to use a master key to get in.

Maxwell could not have left through the bathroom which had access to the outer deck. It could not be opened from the outside. While it was not unusual for Maxwell to go out on deck in the middle of the night, to take fresh air or relieve himself, the crew cannot



Robert Maxwell aboard the Lady Ghislaine. The last time he was seen alive was on the yacht

remember an occasion when he closed let alone locked the doors behind him.

The locking of the doors was a preconceived act and yet it has emerged that the Spanish police chose not to consider in their inquiry.

Could he have fallen overboard?

Conditions were good and the sea was calm on the night of November 4/5. The Lady Ghislaine made no sudden movements throughout the night, according to Rankin, cruising at a constant speed of between 14 and 15 knots. The Spanish police concluded that he lent against a

wire on the main deck. The wire is 3ft 6ins, reaching Maxwell's waist. They suggest this had a "trampoline" effect throwing him into the sea. No evidence was found of the wire being disturbed or even dislodged from its hinges as it might well have been by a man of Maxwell's weight and size. Maxwell was 6ft 2in tall and weighed 22 stone.

It would be possible for him to fall over the guard rail on the main deck, which is three inches lower than the wire, although he would have had to lean well over it to lose his balance.

Had he been drinking excessively

or taking sleeping pills?

No evidence was found of significant quantities of alcohol or drugs in his body. His widow said his sleeping pills had remained untouched.

Why were there two autopsies?

The insurers were dissatisfied with the autopsy carried out in in Spain.

Did the second autopsy find anything new?

Yes. The post mortem carried out in Israel by Dr Iain West, head of forensic medicine at Guy's hospital, and two Israeli pathologists with the family's approval, found serious muscle tear and injuries to the left hand and left shoulder. The pathologists believe this suggests that Maxwell hung on to something before falling into the water. These crucial findings were not discovered by the earlier Spanish autopsy.

Maxwell could have sustained such an injury by holding on to prevent himself from falling by accident or by trying to hoist himself back again.

But West suggests that Maxwell could have also sustained such an injury as he deliberately took his own life.

West believes such an injury incurred by climbing over the rail and slipping while still holding the rail. "One sees this pattern of injury on occasions in individuals who kill themselves as a result of falling from high buildings. While some will jump or let themselves topple over a balcony or out of a window others will actually will ease themselves over the edge and hold on for a time with one or both hands before letting go."

Could he have died of a heart attack?

Maxwell had been suffering for years from fluid and respiratory problems. He was overweight and had been under some pressure. However, one of his leading doctors maintains that he was "healthy" before leaving on his final cruise and no traces of heavy smoking.

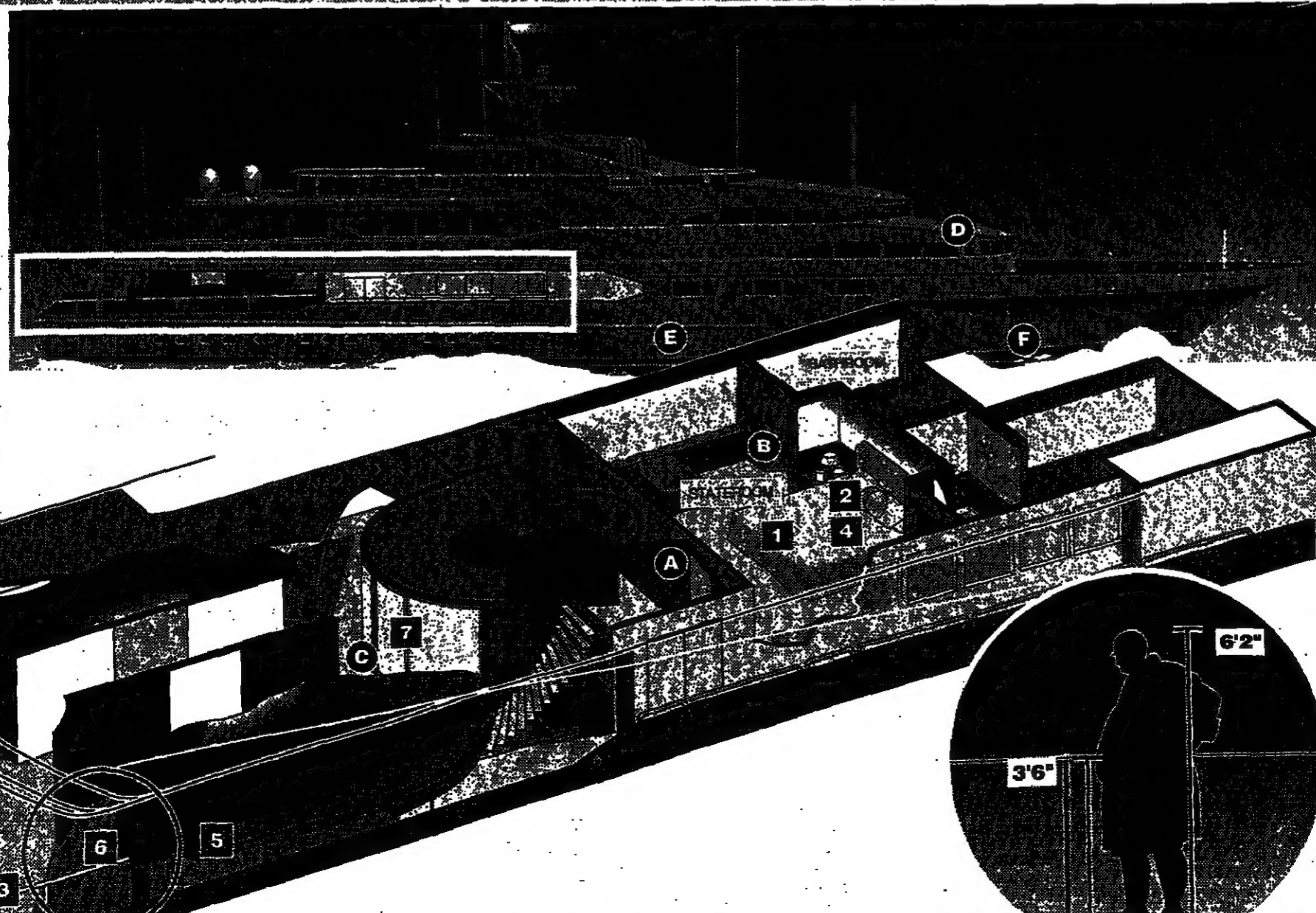
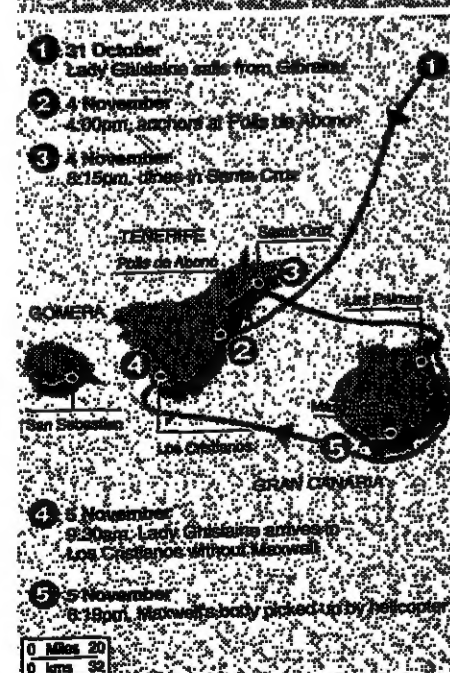
Tests carried out by Spanish pathologists showed some evidence of ischemic myocardial damage - in layman's terms, his heart muscles were damaged due to lack of blood.

So how did Maxwell die? On the evidence available both murder - for which there is no physical evidence - and a heart attack as a single cause of death can probably be ruled out.

This leaves one of two possibilities. Maxwell either fell into the water by accident or he committed suicide. Neither can be ruled out on the basis of the forensic evidence.

The verdict then rests on Maxwell's behaviour, his state of mind and the looming catastrophe he would have to face if he returned, suggest that he killed himself.

The final hours: Retacing Maxwell's last steps aboard the Lady Ghislaine



1 10.15pm on November 4, Maxwell asks stewardess to lock sliding doors to his stateroom (A). She does this from the inside, leaving the key with him and goes out through the bathroom door (B). 2 He is telephoned by son Ian at 11.15pm and Rabbi Feilish Vogel at 11.20pm. 3 4.10am on November 5, a crew member sees Maxwell here looking over the stern rail. 4 4.45am, Maxwell telephones from his stateroom and asks for air conditioning to be turned off. 5 8.00am, approximate time of death given by Spanish pathologists' report. Police believe this is the point from which he went into the sea. 6 This is where he probably went over the side instead. The position given by the police (between pillar and tender) would have been a tight squeeze for a man of

his size (6ft 2in and 21 stone). His weight would probably have pulled out the tender retaining wire which blocked his way: this was still in place and undamaged. He could not have gone through to the back of the boat because on the night that route was blocked by a motorcycle (3). 7 In the morning the bathroom door (B) is locked from the inside. The sliding doors to the stateroom (A) are locked from the outside and the glass doors to the stern (C) are closed. Maxwell was not in the habit of locking the doors and the key has not been found. Where was the crew? Captain Rankin and two members were in the soundproof wheelhouse (D). One member was in the engine room (E). The seven remaining members were in the crew's quarters (F).

THE PROPERTY MARKET

New lease of life in landlord-tenant fight

By Vanessa Houldier

The relationship between landlords and tenants in the UK is being strained to breaking point. At a time of recession, the workings of the institutional lease - 25-year leases with upwards-only rent reviews - is seen as unfair, archaic and inflationary by tenants throughout England and Wales.

Now the gauntlet has been thrown down by tenants. Businesses have been encouraged by the glut of empty commercial space and their own recession-induced financial pressures to challenge the system openly. The landlords are defending a leasehold structure that provides a secure flow of income, thus underpinning the value of property and so the finances of institutions, property companies and banks which lead to the sector.

Critics argue that the existing system damages the economy by allowing landlords to profit at the expense of tenants, many of whom are already struggling under the burden of recession. "Landlords continue to make money in a recession and in doing so they serve to deepen the recession," says Mr Giles Henschel of the Covent Garden Business Group, which represents local businesses.

Some economists believe that the institutional lease distorts the letting market in the way that unions are seen to distort the labour market. Lettings on new leases, which account for just 4 per cent of the market, are the only part of the

system that function smoothly.

According to Professor John Burton of the European Business School, rents are dictated by legal and institutional factors, making them "impervious to market forces". This "constitutes a 'core' inflation problem for the British economy as a whole," he says.

But the debate about leases goes beyond academic concern. For the structure of leases is having a critical impact on many businesses.

Last month, Tandy, a multiple retailer, closed down a profitable store in Chatham, Kent, because it could not reach agreement on the lease. "We are making a stand," says Mr Barry Liddle, chief executive of Tandy. "If we have to lose 30 or 40 stores I am willing to do that. If not, nothing will change."

Tenants are demanding the following changes:

- An end to 25-year leases. Criticism of such long leases was recently voiced by Mr Andrew Buxton, chief executive of Barclays, which rents a large amount of property across the UK. "Twenty-five years leases are required for financing purposes or perhaps to satisfy the institutional desire for long investments, but how many businesses plan 25 years ahead?" he asked.

"At the moment it is a classic

case of industry satisfaction and institutional desire being put before the customer. Very few other industries can take such a complacent attitude," he adds.

- An end to upwards-only clauses in rent reviews. Tenants argue that the upwards-only ratchet is inflationary and unfair to tenants at a time when rents should be falling.

Boots, the chemist, recently won a court battle over its refusal to accept an upwards-only review on a retail property in London centre.

- An end of privilege of contract, which allows landlords to claim unpaid rent from previous tenants. The controversy about tenants' continuing liability has come to a head over the past year as unexpected bills for rent due on former premises have pushed many struggling companies into receivership.

The case for reform has been promoted by Sir John Banham, director-general of the Confederation of British Industry. "Small businesses are being forced into bankruptcy through no fault of their own," he says.

- A change in the way rent reviews are determined. Critics say that reviews are often unreasonable because they ignore vacant property, the state of the economy and the ability of tenants to pay.

Professor Burton believes that rent review disputes should be resolved by the Lands Tribunal, with members drawn from both sides of the commercial property leasing market.

Mr Henschel of Covent Garden Business Group dislikes this system



Tandy closed a store because it could not agree on the lease

because decisions are made at arbitration by surveyors, who may have a tendency to favour landlords. "No surveyor will put his neck on the line because future business depends on his ruling. I would like to see a parliamentary review of the whole system," he says.

- An end to confidentiality clauses. If rents are to be set according to recent deals in a particular area, there should be greater openness about those deals, perhaps

through a national rent register. "Confidentiality clauses inflate market levels," says Mr Henschel.

Some aspects of the commercial property lease are likely to yield under this pressure. The Lord Chancellor, for example, is expected to recommend a change in the law on privilege of contract. Tenants would no longer be responsible for the rent owed by their successors for the duration of the 25-year lease; instead they would guarantee only

their immediate successor. The proposals would probably only apply to leases that were assigned after the legislation came into force.

This is in the spirit of a good British compromise, says solicitor Mr Steven Fogel of Timmuss Sainer & Webb, who was on the Law Commission's working party which recommended a change in the law. Bankers are concerned, however, that a change would make property finance, which relies heavily on the quality of a tenant's covenant, even more difficult to secure.

Market pressures alone are forcing some landlords to accept shorter leases and break clauses in heavily over-supplied markets such as the City of London. Some institutions make a virtue out of necessity when accepting a 15-year lease on the grounds that a building often needs refurbishment by that stage anyway.

But most property owners are uneasy about changes to the lease structure. They fear that yields would be pushed up to compensate for the diminished security of income, with severe effects on the property industry and banks' largest

UK landlords, will fight any changes to the 25-year lease, says its chief executive Mr Hugh Jenkins. "Only as a last resort would we give up long-held terms of trade. In this market we would rather let the rents take the strain than start monkeying around with lease structures," he said.

Landlords argue that tenants should take the rough with the smooth, having enjoyed the benefits of a system that gave them arti-

cially low rents during much of the 1980s and the rights to assign their leases at large premiums. They believe that tenants will stop clamouring for change once an economic recovery gets under way.

"During the 1980s a lot of tenants made a fortune from selling their leases," says Mr Peter Hunt, chairman of Land Securities, the UK's biggest property company.

The abolition of privilege of contract and upwards-only review clauses would be a setback to the industry and ultimately the economy as a whole, adds Mr Hunt. If such changes took place, pension funds would be less likely to invest in property with the result that yields would rise, new developments would be constrained and ultimately rents would go up.

The counter-argument is that the rigid institutional lease has inflicted damage on tenants and the economy and, in the end, on the property market itself.

Tenants have been put under extra pressure to the point where they have been put out of business. Long leases have made landlords complacent and neglectful of their customers. Lease inflexibility at a time of falling rents has prevented tenants from assigning their old leases and so created a huge over-supply of new buildings in areas such as central London.

Apart from the changes concerning privilege of contract, these arguments are ultimately likely to be settled by the relative strengths of landlords and tenants. The optimists say that the concessions wrested by tenants will only last for as long as property is in oversupply. Tenants, however, are determined to cling onto any gains they make. They are not merely seeking short-term advantage; they wish to change the industry for good.

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LEGAL NOTICE

In the High Court of Justice No. 004982 of 1992
Chancery Division
IN THE MATTER OF BEAR STEARNS HOLDINGS LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 10th June 1992 for the confirmation of the resolution of the capital of the above-named Company from £100,000,000 to £44,000,000 and the Minutes approved by the Court showing with respect to the capital of the Company and the several particulars required by the above-named Act was registered by the Registrar of Companies on 10th June 1992.
Dated this 17th day of June 1992
35 Broadgate Street, London EC2M 2SW
Solicitors for the said Company

COMPANY NOTICES

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Copies of the 1992 annual report for the year ended 31st March 1992 at a rate of 1.25p per Annual Report sent free.

Copies should be requested to: Global Custody Services, The Royal Bank of Scotland Plc, Corporate Trust Department, Equitable House, PO Box 348, 42 King's Highway, London SE1, E1, from whom leaflets may be obtained. Copies must be lodged by an authorized depository and left there for collection.

NOTICE FOR ADMINISTRATION ORDER
The Insolvency Act 1986
In the Matter of
GOASTAL LITIGATION LIMITED
Names of Business: Public House and night club. Address: 100, 102, 104, 106, 108, 110, 112, 114, 116, 118, 120, 122, 124, 126, 128, 130, 132, 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154, 156, 158, 160, 162, 164, 166, 168, 170, 172, 174, 176, 178, 180, 182, 184, 186, 188, 190, 192, 194, 196, 198, 200, 202, 204, 206, 208, 210, 212, 214, 216, 218, 220, 222, 224, 226, 228, 230, 232, 234, 236, 238, 240, 242, 244, 246, 248, 250, 252, 254, 256, 258, 260, 262, 264, 266, 268, 270, 272, 274, 276, 278, 280, 282, 284, 286, 288, 290, 292, 294, 296, 298, 300, 302, 304, 306, 308, 310, 312, 314, 316, 318, 320, 322, 324, 326, 328, 330, 332, 334, 336, 338, 340, 342, 344, 346, 348, 350, 352, 354, 356, 358, 360, 362, 364, 366, 368, 370, 372, 374, 376, 378, 380, 382, 384, 386, 388, 390, 392, 394, 396, 398, 400, 402, 404, 406, 408, 410, 412, 414, 416, 418, 420, 422, 424, 426, 428, 430, 432, 434, 436, 438, 440, 442, 444, 446, 448, 450, 452, 454, 456, 458, 460, 462, 464, 466, 468, 470, 472, 474, 476, 478, 480, 482, 484, 486, 488, 490, 492, 494, 496, 498, 500, 502, 504, 506, 508, 510, 512, 514, 516, 518, 520, 522, 524, 526, 528, 530, 532, 534, 536, 538, 540, 542, 544, 546, 548, 550, 552, 554, 556, 558, 560, 562, 564, 566, 568, 570, 572, 574, 576, 578, 580, 582, 584, 586, 588, 590, 592, 594, 596, 598, 600, 602, 604, 606, 608, 610, 612, 614, 616, 618, 620, 622, 624, 626, 628, 630, 632, 634, 636, 638, 640, 642, 644, 646, 648, 650, 652, 654, 656, 658, 660, 662, 664, 666, 668, 670, 672, 674, 676, 678, 680, 682, 684, 686, 688, 690, 692, 694, 696, 698, 700, 702, 704, 706, 708, 710, 712, 714, 716, 718, 720, 722, 724, 726, 728, 730, 732, 734, 736, 738, 740, 742, 744, 746, 748, 750, 752, 754, 756, 758, 760, 762, 764, 766, 768, 770, 772, 774, 776, 778, 780, 782, 784, 786, 788, 790, 792, 794, 796, 798, 800, 802, 804, 806, 808, 810, 812, 814, 816, 818, 820, 822, 824, 826, 828, 830, 832, 834, 836, 838, 840, 842, 844, 846, 848, 850, 852, 854, 856, 858, 860, 862, 864, 866, 868, 870, 872, 874, 876, 878, 880, 882, 884, 886, 888, 890, 892, 894, 896, 898, 900, 902, 904, 906, 908, 910, 912, 914, 916, 918, 920, 922, 924, 926, 928, 930, 932, 934, 936, 938, 940, 942, 944, 946, 948, 950, 952, 954, 956, 958, 960, 962, 964, 966, 968, 970, 972, 974, 976, 978, 980, 982, 984, 986, 988, 990, 992, 994, 996, 998, 1000, 1002, 1004, 1006, 1008, 1010, 1012, 1014, 1016, 1018, 1020, 1022, 1024, 1026, 1028, 1030, 1032, 1034, 1036, 1038, 1040, 1042, 1044, 1046, 1048, 1050, 1052, 1054, 1056, 1058, 1060, 1062, 1064, 1066, 1068, 1070, 1072, 1074, 1076, 1078, 1080, 1082, 1084, 1086, 1088, 1090, 1092, 1094, 1096, 1098, 1100, 1102, 1104, 1106, 1108, 1110, 1112, 1114, 1116, 1118, 1120, 1122, 1124, 1126, 1128, 1130, 1132, 1134, 1136, 1138, 1140, 1142, 1144, 1146, 1148, 1150, 1152, 1154, 1156, 1158, 1160, 1162, 1164, 1166, 1168, 1170, 1172, 1174, 1176, 1178, 1180, 1182, 1184, 1186, 1188, 1190, 1192, 1194, 1196, 1198, 1200, 1202, 1204, 1206, 1208, 1210, 1212, 1214, 1216, 1218, 1220, 1222, 1224, 1226, 1228, 1230, 1232, 1234, 1236, 1238, 1240, 1242, 1244, 1246, 1248, 1250, 1252, 1254, 1256, 1258, 1260, 1262, 1264, 1266, 1268, 1270, 1272, 1274, 1276, 1278, 1280, 1282, 1284, 1286, 1288, 1290, 1292, 1294, 1296, 1298, 1300, 1302, 1304, 1306, 1308, 1310, 1312, 1314, 1316, 1318, 1320, 1322, 1324, 1326, 1328, 1330, 1332, 1334, 1336, 1338, 1340, 1342, 1344, 1346, 1348, 1350, 1352, 1354, 1356, 1358, 1360, 1362, 1364, 1366, 1368, 1370, 1372, 1374, 1376, 1378, 1380, 1382, 1384, 1386, 1388, 1390, 1392, 1394, 1396, 1398, 1400, 1402, 1404, 1406, 1408, 1410, 1412, 1414, 1416, 1418, 1420, 1422, 1424, 1426, 1428, 1430, 1432, 1434, 1436, 1438, 1440, 1442, 1444, 1446, 1448, 1450, 1452, 1454, 1456, 1458, 1460, 1462, 1464, 1466, 1468, 1470, 1472, 1474, 1476, 1478, 1480, 1482, 1484, 1486, 1488, 1490, 1492, 1494, 1496, 1498, 1500, 1502, 1504, 1506, 1508, 1510, 1512, 1514, 1516, 1518, 1520, 1522, 1524, 1526, 1528, 1530, 1532, 1534, 1536, 1538, 1540, 1542, 1544, 1546, 1548, 1550, 1552, 1554, 1556, 1558, 1560, 1562, 1564, 1566, 1568, 1570, 1572, 1574, 1576, 1578, 1580, 1582, 1584, 1586, 1588, 1590, 1592, 1594, 1596, 1598, 1600, 1602, 1604, 1606, 1608, 1610, 1612, 1614, 1616, 1618, 1620, 1622, 1624, 1626, 1628, 1630, 1632, 1634, 1636, 1638, 1640, 1642, 1644, 1646, 1648, 1650, 1652, 1654, 1656, 1658, 1660, 1662, 1664, 1666, 1668, 1670, 1672, 1674, 1676, 1678, 1680, 1682, 1684, 1686, 1688, 1690, 1692, 1694, 1696, 1698, 1700, 1702, 1704, 1706, 1708, 1710, 1712, 1714, 1716, 1718, 1720, 1722, 1724, 1726, 1728, 1730, 1732, 1734, 1736, 173

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TECHNOLOGY

Worth Watching · Paul Taylor



Fax machine for the globetrotter

Globetrotting executives can still face telecommunications problems once they step off the beaten path. It is not easy, for example, to send a fax from a Tibetan mountainside or check the head-office database from deepest Africa.

But portable global communication is now a reality for travellers in areas of unreliable or non-existent communications.

Immarsat C mobile satellite earth stations, supplied by UK-based Applied Satellite Technology, work with portable personal computers and use the geostationary Immarsat satellites to provide two-way telex, fax (send only) and other data communications from anywhere in the world.

The briefcase-sized Nomad 2000 weighs 5kg and takes just minutes to set up using a directional antenna. It works with any MS-Dos compatible computer transmitting at a speed of 9600 bits per second and can send data for 30 minutes using its internal batteries.

The Nomad 2000 costs £6,790 and can be supplied with an optional £1,300 laptop computer. Applied Satellite Technology: UK, 0903 427434.

Immune system battles stress

Feeling run down? Researchers at Utrecht University now think that prolonged acute stress could weaken the body's immune system, making it more prone to illness.

In their study the researchers subjected secondary school teachers to stress by asking them to solve an impossible three-dimensional puzzle under

a time constraint. The volunteers' white blood cell count was taken immediately before and after the stress test. In some teachers the number of natural killer cells had risen considerably by the end of the test, but returned to normal within 30 minutes.

Although it is difficult to draw conclusions the researchers believe that the number and intensity of stressful events have a negative effect on the body's resistance. In the long term this could increase the chance of infections. Utrecht University Academic Hospital: The Netherlands: 31 30 507680.

Spreadsheet keeps itself in check

ONE of the chores of building a computer spreadsheet is checking that the data has been accurately entered. Reading the numbers back to a colleague is both time-consuming and tedious.

But Tamar Software, based in Rhode Island, has developed a software package called Spreadsheet Echo which enables the computer to read Lotus 1-2-3 spreadsheet numbers back to the user.

The software will read back a range of numbers either by row or column, can be told to pause between cells, and speak in either a male or female voice. The user can also set speed or volume levels and listen through the computer's internal speaker or through headphones.

The programme, which costs \$99.95, is also multilingual. Tamar Software: US, 401 484 4565.

Reinventing the golf cart

Who says there is no point in reinventing the wheel? Hugh O'Neil has done just that with a revolutionary golf cart which features a steering wheel and a seat. They follow the contours of the ground, changing shape from a round to an oval as they traverse.

The result is a machine which can go anywhere in extreme weather conditions but which exerts about a quarter of the pressure of an average man's foot.

This three-wheeled Elite golf cart is battery driven, carries one person at 14kph and costs £1,500. Elite Golf Products: UK, 0306 749945.

Driving through the border lines

Europe's cellular phone network is poised to cross national frontiers, writes William Dawkins

Good news is on the way for car telephone users in Europe who find their phones stop working as soon as they drive over a national border into an incompatible network.

From the beginning of next month, the first commercial examples of a new generation of cellular telephones, able to receive and make calls anywhere in Europe, come on sale in France and Germany.

They are based on a common European standard, called GSM (Global System for Mobile Communications), to be phased into full operation over the next five years in the 17 countries that have agreed to use the GSM norm. The current patchwork of six conflicting regional systems will, for the time being, continue alongside the new network.

It is no surprise that France and Germany are the first to introduce GSM. They badly need to catch up. A large number of businessmen and women cross their long frontiers regularly and yet both countries

have among the lowest use of cellular phones in Europe, well behind Britain, Switzerland and the Scandinavian countries.

GSM, a digital transmission system, is radically different from the current analogue generation in that it delivers ultra-clear sound and a range of clever functions. In addition, a GSM phone can be plugged into a fax machine, a computer or even a teletext terminal like France's Minitel system without a modem.

Each subscriber has a smart card which stores personal information. This is slotted into the phone to make it work. The card, rather than the terminal, contains the subscribers' telephone number and tells the operator where to send bills. If necessary, a subscriber can leave his phone at home and rent or borrow a portable one, whether in a taxi or someone else's office. The card can also be programmed so that calls can be forwarded. Incoming calls can be held while the phone is engaged, and outgoing or incoming calls can be barred.

Baptised "Itineris" in France, the

system is being launched by France Télécom in Paris and Lyon from July 1, with the German system to follow a week later. France Télécom plans to cover three more cities by the end of the year and 90 per cent of France by 1995. SFR, the French private sector cellular phone operator, plans to unveil its own GSM system shortly.

Itineris phones, initially supplied by Orbital, Nokia and Motorola, sell for between FF10,000 (£1,000) and FF15,000, slightly cheaper than existing cellular phones. Prices could even halve in the next five years as European sales grow and allow the producers of terminals to achieve economies of scale, predicts Marcel Roulet, president of France Télécom.

Clearly, it is too early to say how Itineris will go down with the French public. The coming year will be for "technical evaluation", with commercial take-off likely in 1993, believes Roulet.

Already, technical experts point to two possible improvements. Some users, they fear, might be baffled by the big choice of functions,



so some form of automatic guidance would be desirable, like the help function on a computer program. Second, because equivalent chips on GSM smart cards and existing French telephone charge cards are positioned differently, it will be impossible in the future to use the same bit of plastic for both.

However, GSM should avoid the capacity limits imposed by the shortage of radio frequencies, which affects the two analogue networks. France Télécom's Radio 2000 and SFR. Instead, digital technology will increase capacity in the European countries that have applied the standard to 20m, compared with just 3.4m subscribers now.

On the strength of this, France Télécom believes that around a fifth of its income from telephone charges will come from cellular services by the end of the decade.

Computer takes on a mind of its own

Steven Butler says the 'thinking' machine is a little closer to becoming a reality

A computer that does not need software to tell it how to perform a task appears to be a contradiction in terms, but that is what Ricoh, the Japanese office equipment company, unveiled yesterday in Tokyo.

Don't start craning software files from your computer just yet. Ricoh's experimental neural computer - so called because it imitates human thinking processes - can only learn 16 characters at a time, even though it is put together with microchips that are blazingly fast.

This is indeed a primitive performance for a computer that is 500 times faster than the typical workstation, and four times faster than supercomputers.

Ricoh's neural computer is none the less a tantalising hint of things to come. In a year or so Ricoh hopes to install a small neural computer in its office photocopiers - one that will learn by itself, without software that sets parameters, how to adjust all of the interrelated variables that determine whether a copy comes out with even tone.

The neural computer itself is not a new concept. Other Japanese companies like NEC, Fujitsu and Hitachi have developed neural computers that learn from their mistakes until they can perform a task. The theoretical advantage is that these machines should eventually be able to deal with ambiguous situations and to make judgments, like the human brain. They could be

useful for text or voice recognition. Morio Onoe, professor emeritus at Tokyo University and general manager of Ricoh's R&D group, says that existing neural computers have combined the traditional central processing unit with software that imitates the functions of neurons of the human brain.

Ricoh's computer, by contrast, has no central processor, just 16 neurons that operate in parallel and are linked together. This allows them to perform at much higher speed. The computer is fed information in digital form and given a goal, but left to its own devices on how to achieve it.

So far the tasks performed are simple. The computer, for example, was yesterday fed equations

describing the rolling of a ball on a tilted see-saw, and told to move the see-saw to prevent the ball from falling off the end. After a dozen or so failed attempts, the computer managed to balance the ball in the middle.

Onoe says the advances have come in two areas: the dispensing of software that instructs the computer how to perform specific tasks and higher-speed processing of complex problems.

The experimental computer is put together with 32 neural chips which Ricoh developed two years ago and which have a single neuron per chip. The computer has a processing speed of 128 MCPS (million computing connections per second). The drawback of Ricoh's neural

computer is that it requires a huge amount of computing power to learn something useful.

Onoe says the first practical applications for the computer will be in mechanical control, where the variables are relatively few. While Ricoh plans to use the technology in its own office machines, it would also welcome partners to develop control systems for factory robots. Use of the computers for voice or character processing will require much larger capacity.

Don't expect the machines to appear on desk tops any time soon. But they could eventually learn not only to process words, but print out letters from dictation and eventually, perhaps, write the memos on their own too.

PEOPLE

Moving upstairs in the Lever household

Lever Brothers, the UK detergent business of Anglo-Dutch consumer products company Unilever, has a new chief executive, Andrew Seth, who arrives from Lever Europe in Brussels. He had been a general manager in charge of household cleaning products for the past two years, and earlier held a series of positions in Europe as well as America. In the late 1970s and early 1980s he had been marketing director of Lever Brothers in the UK.

Seth, 55, replaces Roy Brown, who at 45 has moved up to the Unilever main board as a regional director with responsibility for Africa and the Middle East. Clearly on the Unilever fast-track, Brown has moved

speedily through the ranks. He had been chief executive of Lever Brothers for less than 18 months, where one of his principal tasks had been to oversee the implementation of the UK end of the new Lever Europe strategy - the drive to make the European detergent businesses work together more effectively. Also during Brown's time there, Lever introduced concentrated liquid detergent to the UK market.

Among a range of many previous posts within the group, he has been technical director of Bird's Eye Walls and chairman of Plant Breeding International. His overseas experience comes partly from a period in the mid 1980s when he was chairman of Unilever's plantations activities.

Moves in finance

■ Tony Herbert, Denison Moore and Jim Morris have been appointed directors of GREIG MIDDLETON.

■ Richard Kilsby, formerly vice-chairman of Charterhouse Bank, has been appointed an

nd of BANKERS TRUST COMPANY. Tony Moore, formerly with County Natwest, has joined Bankers Trust Company as an md and head of corporate finance

origination for the UK and parts of Europe.

■ Richard Payne and Christopher Collins have been appointed directors of FARMORE GORDON.

■ James Jamieson has been appointed a director of the PRINCIPALITY BUILDING SOCIETY.

■ Stuart Bridges has been appointed to the board of YOCHE REMANANT INVESTMENT MANAGEMENT.

■ Patrick Sellers has been appointed director of LLOYDS DEVELOPMENT CAPITAL.

■ Dermot Keegan is appointed director of retail sales for COUNTY NATWEST INVESTMENT MANAGEMENT.

■ Stephen Hargrave has been appointed chairman of the CHILDREN'S MEDICAL CHARITY INVESTMENT TRUST in place of Andrew Perloff who remains a director.

Lake Johnson becomes deputy chairman.

■ Neil Williams is joining COUNTY NATWEST INVESTMENT MANAGEMENT as a UK economist from Crown Agents Asset Management.



Lord Kindersley (left), who has chaired Brent Walker through its £1.65bn refinancing, is to retire from the group at next month's annual meeting. He was appointed in January 1991 expecting a fairly brief, though arduous, tenure of the job. But the repeated delays in completing the refinancing until the end of March this year kept him occupied seven days a week.

Now, at 62, he looks forward to spending some time on his other interests, he says. One of his top priorities is to organise a deer-park owners' initiative to improve the marketing of venison. He has 400 deer of his own in Kent. His preoccupation with Brent Walker, which yesterday reported an annual loss totalling £411.4m, has, he says, nearly cost him his place on the management committee of Wimbledon. And he feels that as chairman of the Thailand Investment Trust he really ought to visit the country.

Also resigning is Alan Clements (right), former ICI finance director, who joined as a non-executive director in the early stages of the refinancing as well. He subsequently became the only non-executive director on the board and had to carry the burden that entailed. He too has other interests requiring his time, not the least his directorship of Mirror Group Newspapers. Brent Walker is in the process of recruiting a new chairman and some non-executive directors. Some names should be ready by the agm.

Departures

■ Patrick Cooper is resigning from the board of GOODE DURRANT but remains a director of its subsidiary Ravenstock (Tam) Holdings.

■ Gerald Palfreyman has resigned from EVODE.

■ Leonard Blackwood has resigned from P-E INTERNATIONAL.

■ David Watkins has resigned from MOUNTLEIGH.

■ Charles Chadwood has retired from ATKEN HUME INTERNATIONAL for health reasons.

■ The Earl of Shrewsbury and Waterford has resigned from the BRITANNIA BUILDING SOCIETY.

■ Colin Burrows has resigned from CAKEBREAD ROBEY & CO.

■ Derek Henson is retiring from J SAINSBURY.

Instructive role for Wally Olins

Wally Olins, one of the UK's design gurus, has decided to go back to school. "Not before time," might be the cry of all those critics of the revamped corporate image sector of the design world, of which Olins is a leading light.

But before the knives flash too fiercely, let it be known that Olins is returning to education not to learn but to instruct. He has just been appointed visiting professor at Lancaster University manage-

ment school, where he will be involved initially in the school's MBA courses.

Later he will participate in the expansion of the school's marketing programme; there are plans to introduce an advertising course this year. Olins will continue his role as chairman of Wolff Olins, the corporate identity consultancy, which he co-founded.

Lancaster clearly feels chuffed with the appointment. Its press release proudly mentions

Wolff Olins' corporate identity work for VW/Audi, Prudential, Bovis, Akzo and the Metropolitan police force in London. But strangely, it omits to mention the most famous recent Wolff Olins work, the corporate redesign for BT, the implementation of which is estimated to have cost some £50m.

The new logo - a silhouette of Pan blowing a heraldic trumpet - met with widespread derision, not least because Pan blew a syringe.



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FINANCIAL TIMES

INDIA 1992

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Austerity with a baroque twist

Susan Moore reviews the art and craft of the Hutterites and Mennonites



Oliver Parker and Cathryn Harrison

Theatre/Malcolm Rutherford

As You Like It

The Open Air Theatre at Regent's Park ought to be the ideal setting for *As You Like It*, just as it is for *A Midsummer Night's Dream*. The Forest of Arden corresponds more closely to Regent's Park than most of the rest of London. Never underestimate, however, the chances of a director getting it wrong by trying to be clever. Maria Aitken's production is perverse.

To be fair to Ms Aitken, her *As You Like It* is not nearly as dreadful as her programme note would lead you to think. Aitken claims that Jacques, the melancholy outsider, is the equivalent of a 20th century movie director: he has spotted that all the world's a stage and Arden is the place where you go to shoot on location.

The idea produces one good joke. In the wrestling match Orlando gets hammered in the first round. Jacques, the movie director, calls a halt and substitutes the stand-in who pummels the court wrestler close to death. This is Hollywood triumph, but merely a gloss on *As You Like It*. Gradually Hollywood recedes and the

play takes over although the production remains perverse.

Ms Aitken appears to think that all the men in the play are drips and all the women players. There is some evidence in the text for her point of view - Orlando is not a ball of fire and you could say that Rosalind is lowering her standards by chasing him. On the other hand, if you take the female superiority too far, you begin to distort the play. *As You Like It* is about boy meets girl, mutual attraction. There has to be something to be said for the man.

Aitken's preference for putting the women first has strange effects. Corin, the shepherd, has some wonderful lines in defence of the pastoral society: "The greatest of my pride is to see my ewes graze and my lambs suck." He is not allowed to speak them as if they are at the heart of the play or as if anyone might wish to take him seriously.

The minor part of Phebe, the shepherdess, comes out as one of the most striking characters. This is partly because she is played by Anna Patrick, whose

performance as Helena in the Regent's Park production of *The Dream* has already shown her to be an actress at the top of the class. It is also because the production suggests that she is a woman striking out on her own. The text shows plainly that she is only having a minor fling.

Aitken's perversity runs into problems with Jacques, played by Bette Bourne. He is over-coiffured and noticeably overweight. He speaks his lines very well, but the underlying suggestion is that he is suffering from some fatal disease, quite probably AIDS, not an improvement on the original unexplained melancholy.

Rosalind is played with some distinction by Cathryn Harrison. The question remains of what a clever girl like this is doing chasing a duffer like Orlando. The logical conclusion of Aitken's interpretation is that Rosalind should go off with Phebe. Still, you can't keep a good play down; nor the pleasures of Regent's Park either.

Sponsored by Unilever

Moll Cutpurse

In 1610, the famous rogue Moll Cutpurse saw her own life dramatised as *The Roaring Girl* by Thomas Dekker and Thomas Middleton. If real characters could wander on stage, why could not Middleton mix it with Moll Cutpurse? That situation provides the comedy in *Moll Cutpurse*, an entertaining play about Middleton at the Drill Hall Arts Centre.

Nick Stafford's fantasy works on situation rather than plot. Middleton appears as a blocked writer who cannot bring himself to say "Shakespeare" or to quote from any of the plays. He decides to garner material for a new play, and lights on Moll. She and her confederates, Maria and John, welcome him as only those hungry for publicity welcome a TV documentary crew.

An intrigue of deception ensues, driven by greed and lubricity. The action turns on a flimsy revenge plot, a bag of

counterfeit coin and the writing of Middleton's play. The labyrinthine business strikes a parody of Middleton's own plots; and the language is a riot of platitudes and picaresque, consistently bawdy and suggestive. Middleton attempts to shepherd all this chaos into the pages of his own play.

Simon Deacon's ambient music lifts the action and helps focus Helen White's clever direction. She gets fine performances from the cast of four. Peter Shorey as Middleton and Janice McKenzie as Moll establish a bruising rapport; Shorey in particular shows control and range. The play's funniest scene, between Middleton and Moll's confederates (Beaux Bryant and Jim Findley) finds him physically sick in being forced to hear Shakespeare's 130th sonnet.

But the New Perspectives Theatre Company has shackled itself in this production to the

ideal of "political correctness": fine in principle but clumsy in practice here. Old norms are assiduously avoided: so the women are lesbian, the men gay, and relations between the sexes financial. The choices for women look stark: servant, whore or wife; unless like Moll they "live by their wits against all costs."

Beyond the bustle and energetic acting, *Moll Cutpurse* needs a wider scope, grander design. As a play about Middleton, it offers little. Its seriousness focuses on the position of women, then and now. Fifty years after Middleton's death, one playwright was writing more and better on the same. Her name was Aphra Behn.

Andrew St George

Drill Hall Arts Centre (071 631 1359) until 27 June (ex. 19 June)

In summer, the colony bell wakes everyone at 6.15 am. The bell calls the adults to the communal kitchen for a breakfast of prunes, cheese, smoked ham, bread, jam and coffee. Quickly and in order the men file in, hang their hats and take their assigned places on benches around a long table. All wear black working trousers and coloured shirts; the mature men are bearded. The women follow and sit at a second table, their hair identically arranged, their clothes another uniform of polka-dotted head scarves, long patterned dresses and aprons. No children are present.

A short prayer. Each person eats quickly and in silence. Another prayer. The dishes are carried into the kitchen. Women finish clearing the tables and begin washing up. The procedure takes seven minutes in all.

The colony is Hutterite, the date the mid 1800s. For the first time, outsiders had been admitted to observe and photograph the life of what is the most long lived of all Christian Utopian communities. The Hutterites, like the other two surviving German-speaking Anabaptist sects, the Mennonites and the Amish, chose to separate themselves from church and state in the 16th century. Endlessly persecuted, not least for their pacifism as well as for their separatism, they sought refuge and land to farm first in Prussia or Russia, then the US, and later in Western Canada.

Unlike the Mennonites and the Amish, their life is communal, and their modest earthly goods the possession of the community rather than an individual. Moreover, they have continued to resist integrating into a wider community. In North America in 1965, a population of some 16,500 Hutterites was recorded in 170 colonies.

An image of those cheerless, regimented breakfasts ought to haunt like a spectre "All Things Common", a beautifully presented small show of Mennonite and Hutterite furniture, textiles, metalwork, ceramics and calligraphy at Canada House. So seductively simple and wholesome are these workaday rus-

tic chests and chairs, and handsome quilts, that the harshness of the life for those who were made is blurred in a romantic mist.

The Hutterite children who slept in the gaily painted turn-of-the-century cradle, and played in the child's wagon of around 1930, were not allowed to favour their own mothers above other members of the community. Indoctrination began early: by the age of two they would be aware that the needs and will

of the colony took precedence over those of the individual. Indeed, the individual will had to be broken, individuality suppressed.

There appears to be a contradiction between what we see in this exhibition and what we know. Despite their austerity, the so-called "Plain Folk" in sombre blue clothing appear not so plain after all. Unlike the Shakers who rationalised 18th century English furniture to create a new, streamlined, functional style, Mennonite and Hutterite craftsmen continued to copy and simplify old prototypes. Those prototypes happened to be in the most immediately exuberant and self-indulgent of decorative styles, the baroque.

The survival of Germanic forms and decorative traditions among these - and other - widely dispersed and much travelled Germanic colonies is striking. There is a similar small repertoire of essential furniture: blanket boxes, wall cupboards, chairs, tables and sleeping benches, which serve as storage chest, bench and bed. In the latter, in particular, we find Baroque curlicues and scrolling arm rests, back rests and skirts. Throughout are unexpected bright primary colours, inlay, trompe l'oeil, and Hansel and Gretel heart-shaped cuts out.

In contrast to Shaker furniture and artefacts, some of these pieces seem fussy, gaudy and poorly made. What they lack in aesthetic and technical refinement, however, they often make up for in spirit. We can imagine the sense of satisfaction felt by the man who carved the heart in the top of the cabbage cutter here, or forged the heart-shaped trivet, as well as the simple pleasure derived by those who handled them.

An instinctive feel for colour and design is evident in the traditionally patterned Mennonite quilts on show. That sense of design is also apparent in perhaps the most distinctive works here - the lively manuscript illumination known as "traktur". Again, the art form derives from Swiss-German traditions but it flourished in the New World. The motifs that once decorated the borders of important family documents became as important as the script itself, and even exist without it. Eight-pointed stars, hearts, birds, flowers, animals and trees of life weave their lively, rhythmic watercolour courses across the page.

All Things Common continues at Canada House, Trafalgar Square, until July 3.

A Mennonite bed with a colourful quilt and wall hanging

Opera in Italy/William Weaver

Bartoli's 'Cenerentola'/'Così fan tutte'

Concluding its opera season, the Bologna Comunale has just mounted a sparkling new *Cenerentola*, obviously intended also as a contribution to the Rosini bicentenary festivities, which continue in full spate throughout Italy. The new production served further as a showcase for the young mezzosoprano Cecilia Bartoli, the brightest rising star in the Italian operatic firmament, known as much for her notable recordings as for her theatre appearances.

But Bartoli in the real life of the stage is even more exciting than Bartoli on discs, for in addition to her vocal virtuosity she is an engaging, natural, sensitive to words, including those of her fellow-performers. She never performs in a vacuum, but securely in context.

In Bologna she was surrounded by first-class performers. *Cenerentola* is not a mezzosoprano vehicle: it makes heavy demands also on the other interpreters, and the casting of Ramiro, Magnifico and Dandini is as important as the choice of the heroine. Bologna had William Matteucci, Claudio Desderi and the talented young Lucio Gallo for these three parts, and the splendid stepisters were aptly played by Fernanda Costa and Gloria Banditelli. The philosopher Aldoro, of whom little but stately nobility is required, was strongly cast, too, and the bass Pietro Spagnoli added to that nobility of mien authority of voice and evident human concern. Riccardo Chailly, the permanent conductor of the Comunale, used the new critical edition of the score, which inspired a translucent reading with far more subtlety and charm than the usual Chailly allowed the vein of pathos to run through the performance.

Bartoli's Cinderella, however, was not pathetic or sentimental, even in the opening scenes. Her first words to the prince were immediately moving in their simplicity. In the end, when goodness has triumphed and the radiant newly-made princess proclaims that her forgiveness of her stepisters will be her revenge, there is just a hint that vengeance will get the upper hand and the stepisters had better watch out. This Cinderella is a young woman of strong character, whether among the embers or on the throne.

In unusually good voice, Matteucci portrayed a youthful man of spirit, convincing as prince and lover. The young Gallo has a big, commanding voice, perhaps more suited to verismo opera than to Rossini; but he handled it well and provided an untraditional, originally comic valet-turned-prince. Claudio Desderi was a Don Magnifico totally in command, outrageously funny and infallibly musical, singing not grumbling his music. Like all the others, he was firmly supported by the staging of Roberto De Simone, whose view of the piece entirely corresponded to that of Chailly: the comedy always had a welcome elegance. Greedy, self-important, foolishly ambitious, this Don Magnifico was, nevertheless, an aristocrat.

Oreste Nicotri designed delightful costumes, and Mauro Caroli invented a splendid and versatile set, a high arch crowning two curved staircases, in Vesuvian-villa style. Thus, with a minimum of shifting, the scenic elements could be transformed from the Baron's decaying palace to the Prince's country seat. The Comunale orchestra was obviously in complete agreement with Chailly's approach, and they played at the top of their form. The chorus, too,

seemed newly energised. All this bodes well for the recording which Decca will make just after the final performance of the season.

Stimulated largely by the success of his recent recordings, considerable interest surrounded the Italian debut of John Eliot Gardiner as producer, staging Mozart's *Così fan tutte* at the charming Teatro Comunale in Ferrara. This was a co-production with the Teatro Sao Carlos of Lisbon, where it was seen last month. The Ferrara opening night, last Friday, was sold out, and critics and cognoscenti came from all over the country for the event.

The reception was warm, but the artistic results were mixed, and some of the specialists were disappointed. Not with Gardiner's conducting, which was, as expected, of great authority and sensibility. From the very first bars of the Overture it was clear that the excellent English Baroque Soloists were in secure hands: tempos were firmly set, but never so rigid as to exclude expressive play. And, except for a very few awkward horn blurs, the sound was sweet and silken, unusual for an "original instruments" orchestra.

It was the voices that fell short of expectation, especially the women. Amanda Rocco (Fiordiligi) and Rosa Mannon (Dorabella) both have a pretty soprano sound, but without personality. True, in Gardiner's view, the two sisters should be, for much of the piece, virtually identical (and they were confusingly twin costumes in the first scenes); but their interchangeable sameness quickly became monotonous. The generic quality of their singing was exacerbated by their woeful enunciation of the Italian text and the excess of

gesticulation and grimacing that marked their acting was a hindrance rather than a help to comprehension. In the mugging department, Brian James was the worst offender; the voice also lacked charm.

Carlos Fallar gave the Italian words their proper value, and his Alfonso was the only character, staging dimensions. He really looked and moved like an 18th century Neapolitan gentleman, not like a costumed singer. Unfortunately, his voice is an unpleasant bark and he had difficulty with pitch. The boys - Rainer Trost (Ferrando) and Rodney Gilbey (Guglielmo) - were generally better actors, but their singing suffered from the same lack of focus as the girls', and their Italian was only marginally better.

In a long evening (four hours including one interval), the generic singing grew soporific, and one could not help wondering if it was worth opening cuts and restoring often-suppressed recitatives. Gardiner, in a programme note, insists that he has turned producer only to prevent someone less knowledgeable from mucking about with the work. An excellent motive, and his staging does indeed respect the text and the music, except for a few instances where the maestro himself succumbs to production, introducing chained prisoners into the scene of the troops' arrival and two miming Pulcinellas into the near-wedding.

The story is firmly set in late 18th century Naples by the splendid, seductive sets as costumes of Carlo Tommasi. Dorabella and Fiordiligi could not have been brought back to their native Ferrara in a more handsome visual context.

INTERNATIONAL ARTS GUIDE

Bonn's new DM130m Kunst- und Ausstellungshalle will be opened today by Chancellor Helmut Kohl. Funded entirely by the German federal government, this gigantic exhibition complex will have a multi-disciplinary approach, emphasising and investigating the links between the arts and sciences. The idea of creating an exhibition centre to demonstrate the federal government's commitment to culture (usually the responsibility of the regions in Germany) dates back to the 1950s, but it was not until 1985 that an international competition was launched to design a suitable building.

The winner was Viennese architect Gustav Peichl, who has designed a straightforward rectangular building giving over 4300 square metres of exhibition space on several levels. A roof-top terrace is capped by three unequal cones, admitting light to the areas below and

symbolising the classic triad of the visual arts: architecture, painting and sculpture. Further symbolism can be found in a row of 16 dark metal columns along one side, one for each German Land. In addition to flexible exhibition spaces, there is a technically sophisticated complex consisting of a library, television studios and rooms for lectures, concerts and film shows.

The Kunsthalle opens with five different displays which will run throughout the summer. The first is a synthesis of the main developments in modern art, from the end of the last century to the present day, with 150 key works by 120 artists, all of whom were rejected or misunderstood by their contemporaries. Pantheon of 20th Century Photography is another historical display, bringing together images by 30 photographers, including Diane Arbus, Bernd and Hilla Becher, Paul Strand and André Kertész. Nikl de Saint Phalle gets a solo show, with a wide range of works inside the building and a further 35 outside in a kind of roof garden. This is the first time so many monumental works by the French artist have been shown in one place.

Another retrospective is devoted to Gustav Peichl, while a major display entitled Global Change confronts the world's environmental problems, giving a view of the Earth on satellite data, photographs and audio-visual systems.

The artistic director of the new centre is Swedish scholar Pontus Hultén, former manager of the Los Angeles Museum of Contemporary Art, Palazzo Grassi in Venice and the Centre Pompidou in Paris.

EXHIBITIONS GUIDE

AMSTERDAM
Stedelijk Museum The Great Utopia: the Russian Avant-Garde 1915-1932. Ends Aug 31. Daily
Van Gogh Museum Prints by 19th century Japanese artist Yoshitoshi. Ends June 28.
Masters from the Mesdag Collection: 60 works from the Hague and Barbizon schools. Ends Aug 19. Daily
Rijksmuseum The Influence of Japan on Dutch Art. Ends July 25. Closed Mon
FLORENCE
Uffizi Florentine drawing at the time of Lorenzo the Magnificent, including works by Filippo Lippi, Leonardo, Michelangelo, Botticelli and other Renaissance artists. Ends July 26
LONDON
Courtauld Institute Drawing in Bologna 1500-1600: an outstanding collection of more than 60 drawings, almost all from private collections and including some recent discoveries. The exhibition includes early work by Bologna's famous Carracci family, as well as less widely known artists such as Orazio Samacchini and Lorenzo Sabatini. Ends Aug 31. Daily
Tate Gallery Richard Hamilton

(b1922): more than 100 works spanning the career of the British artist who was one of the founding creators of Pop art. Ends Sep 6. Also Turner and Byron: 70 works exploring Turner's interest in Byron's poetry. Ends Sep 20. William Blake (1757-1827): the apprentice years. Ends Aug 16. David Hockney Seven Paintings. Ends July 26. Daily
Institute of Contemporary Arts Mike Kelley: installations by one of the most important young American sculptors. Ends July 19. Daily
Royal Academy of Arts Summer Exhibition: the world's largest contemporary art exhibition, drawing together some of the finest examples of work by living artists, including Clemente, Baselitz, Tapes and Ellsworth Kelly. Ends Aug 18. Daily
Barbican The Celebrated City: Treasures from the Collections of the City of London, including a rich selection of 17th century Dutch paintings. Ends July 19. Daily
Hayward Gallery Magritte. Advance booking on 071-928 8800. Ends Aug 2. Daily
MADRID
Prado Ribera: a major retrospective of paintings and drawings by the early 17th century Spanish artist who settled in Italy. Ends Aug 16
Colección Nacional One Hundred Years of Finnish Graphic Art. Ends June 28
Centro de Arte Reina Sofia Pop Art: a survey of the 1950s and 1960s movement popularised

by Andy Warhol. Ends Sep 13. Closed Tues
NEW YORK
Museum of Modern Art Louis I. Kahn: a large-scale retrospective devoted to the most important American architect since Frank Lloyd Wright. Ends Aug 18. Also Antoni Tàpies (b1923): prints and illustrated books by the celebrated Catalan artist. Ends Aug 9. Closed Wed
The Drawing Center Guecino: an exhibition of 80 drawings on loan from Windsor Castle, one of the highlights of the international celebrations of the artist's 400th anniversary. Ends Aug 1
METROPOLITAN MUSEUM OF ART
Korean Ceramics from the Ataka Collection: 114 exquisite works surveying the full flowering of Korea's ceramic tradition from the 10th to 19th centuries. Ends July 12. Also Andrea Mantegna. Ends July 12. Royal Art of Benin. Ends Sep 13. Closed Mon
NICE
Musée d'Art Moderne Dubuffet: 100 prints, paintings, sculptures and drawings, all of which were given by the artist to the Musée des Arts Décoratifs in Paris in 1967. Ends Aug 30
PARIS
Parc de Bagatelle Henry Moore: a major outdoor exhibition consisting of 27 over life-size bronze sculptures, ranging from the 1950s to the last great works of the 1980s, placed in the kind of open-air landscape for which they were intended. Ends Oct 4 (Bois de Boulogne)

Galerie Didier Imbert Henry Moore Intime: 500 works which formed the artist's home environment, none previously seen in public. Ends July 24. Closed Sun (19 ave Matignon)
Le Louvre des Antiquaires Les Jardins du Baron Haussmann: documents, plans and engravings showing Paris of the Belle Époque. Ends Oct 4. Closed Mon (2 place du Palais Royal)
Musée Guimet From the Tagus River to the Chinese Sea: ceramics, porcelains and gold brocade bringing back the magic of Portuguese commercial links with the East Indies from 1513 onwards. Ends Aug 31. Closed Tues (6 place d'Éna)
Louvre The Eye of the Connoisseur: Homage to Philip Pouncey. An exhibition commemorating the Old Master drawings expert who died in 1990, and including drawings by Correggio, Lorenzo Lotto and others. Ends Sep 7. Closed Tues
Grand Palais The Vikings. Ends July 12. Closed Tues, late opening Wed (ave du Général Eisenhower)
Jeu de Paume Héliot Officina: a retrospective devoted to the Brazilian artist who died in 1980, and illustrating his fidelity to the theme of the human body and its relationship to space and objects. Ends Aug 23. Closed Mon
ROME
Trajan's Markets Anthony Caro: 38 large-scale works from all stages of the British sculptor's career, displayed in the

remarkable context of Imperial Roman architecture. Caro's great rusted steel frieze inspired by Greek pediment sculpture, entitled After Olympia, is placed at the heart of the exhibition in the main hall of the markets, while other works, drawn from an international list of collections, are spread through corridors, terraces and chambers on two levels. Ends Aug 20
ROTTERDAM
Museum Boymans-van Beuningen From Pisanello to Cézanne: more than 100 drawings offer a survey of the museum's own collection and of West European draughtsmanship from 1400 to 1800. Ends July 12. Also Jörg Immendorff (b1945): paintings, many in extremely large formats. Ends Aug 23. Also work by young Dutch glass artists and modern glass from the museum's own collection.
Herman Lamers (b1954): large-scale installation. Ends July 26. Closed Mon
STOCKHOLM
Moderna Museet Swedish classics: works from the period 1900-1945, drawn from the permanent collection. Ends Oct 4. Closed Mon
Nationalmuseum Louis Jean Desprez (1743-1804): topographical views, stage decorations and architecture by the French designer who captivated Sweden's Gustav III with his extravagant, fantastic stage sets. Ends Oct 4. Closed Mon

Winds of reform blow in from a prosperous coast

Chinese provinces are hungry for a market economy, but there is a risk of overheating, writes Alexander Nicoll

Last month Mr Yu Zhaoyong took a group of factory managers and businessmen from Changsha, capital of Hunan province, to Shenzhen special economic zone in the south of China. Their purpose was to study the zone's stock exchange, where rocketing prices are attracting money and attention from all over the country. Changsha wants one too.

Mr Yu views the pronouncements of Mr Deng Xiaoping, the country's paramount leader and champion of economic reform, as "like a spring wind blowing all over China". As director of Hunan's commission for economic structural reform, Mr Yu is a chief architect of the development of the primarily agricultural inland province. He plans to attack the inefficient state-owned industries and, like his counterparts in many other provinces, sees the introduction of share ownership as a central element of his strategy.

Structural problems - including unproductive state industries and controlled prices - still dog China's economy, even though Mr Deng's "open door" reforms have been under way since 1978. But the extraordinary growth of the coastal southern provinces is well-known to all Chinese.

Mr Deng's new drive has unleashed a competitive frenzy among provinces and cities which want to match the prospects of the south. They are pushing ahead with ambitious plans to boost industry, introduce market reforms and attract investment.

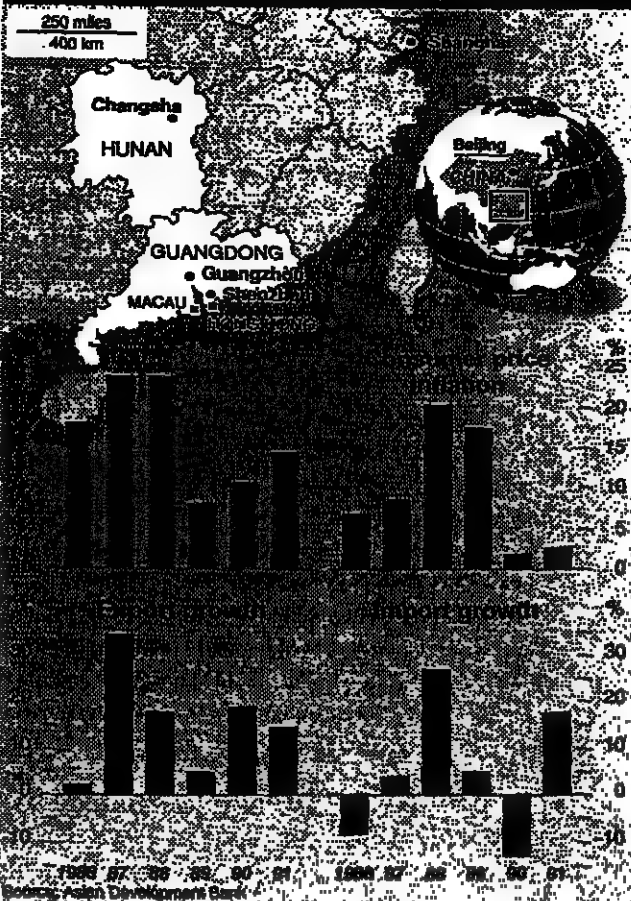
"If you cannot make big strides, you will be left behind by the others," says Mr Chen Binfa, vice-governor of Hunan province.

Beijing is being deluged with applications for special exemptions similar to those of the special economic zones, which have seen the fastest growth, and for approval of plans to set up stock exchanges and other markets. It is viewing them with caution.

While the provinces' desire to slough off the restraints of the centrally planned economy is understandable, it risks quickly creating the same inflationary pressures that occurred twice in the 1980s. Consumer prices were rising at nearly 30 per cent a year by 1988, when the government put the brakes on the economy. The increase in 1990 was only 2 per cent, but this year's is expected to be 7 per cent.

Professor He Jianshang, director of the Institute of Economics at the Chinese Academy of Social Sciences, agrees. "It is difficult to solve the issue of overheating now that the emphasis is on provinces for

China: the rewards of reform



mutating their own policies." The tendency to overheat has been recognised by the authorities. Mr Li Guizhan, governor of the People's Bank of China, the central bank, said in London yesterday that he had acted to tighten credit after the economy grew at an 11 per cent annual rate in the first quarter, with industrial production growing at 18 per cent. He said this would not halt the economy's advance, but that he would fine-tune monetary policy in order to maintain economic growth of 8 to 9 per cent.

The view in Beijing is that some provinces will have to scale down their expectations.

While coastal provinces such as Guangdong can raise their already rapid growth rates, Prof He warns "Some inland provinces and remote areas, because they lack infrastructure and transport and energy resources, cannot indiscriminately speed up their economic development."

It is easy to see why the south's rapid growth inspires emulation. During the 1980s, the value of industrial production in Guangdong, the most prosperous province, grew by an average 30 per cent a year

at constant prices. Last year, it grew by 27 per cent, with per capita income rising by 25 per cent. Growth this year could be even higher, and provincial authorities are rewriting the 1991-95 five-year plan to accommodate higher growth targets.

Most of the growth stems from foreign investment in joint manufacturing ventures and is concentrated in the Pearl River Delta, where the economy is rapidly integrating with that of Hong Kong.

But even in Guangdong, there remain chronic problems. In spite of the growth of the private sector, state-owned enterprises still account for 44 per cent of industrial output in Guangdong, and 50 per cent of these are loss-making.

The figures for other provinces are higher. The difficulties span the spectrum of industry, from coal, power and machinery to consumer durables. Factories still churn out unmarketable products.

Central and provincial governments have tried various means to turn them around, chiefly "contract responsibility", designed to separate ownership from management. Enterprises take responsibility for their finances and may

plough above-target profits back into their businesses.

But who takes responsibility for losses? China's bankruptcy law has been little used. For many state enterprises, however well run, it is impossible to make a profit without the freeing of officially fixed prices, a process which even optimists in the government admit will take many years.

Moreover, each reform triggers the need for a series of further steps. Making industries more efficient, for example, involves making new arrangements for surplus workers, who are employed, fed and cared for by their employers. But efforts to create an alternative social security system are still nascent.

Facing these huge obstacles, officials all over China have lighted upon employee share ownership schemes as one way to revitalise state industries.

In Guangdong, eight profitable state-owned companies, ranging from a huge electronic fan maker to a manufacturer of monosodium glutamate, have been chosen for an experiment. Thirty per cent of each is being sold to employees for a nominal price. In theory the shares cannot be sold for a year, but officials seem undisturbed that employees might sell after only a month or two and that unofficial prices are developing.

Officials are attracted by the Chinese propensity to save. They reason that if savings could be mobilised, they would provide investment funds and help to revitalise industries. Share-owning employees would also have a greater incentive to perform, they believe.

However, Beijing is cautious about allowing more stock exchanges. The fledgling markets in Shanghai and Shenzhen have seen soaring prices, volatility, overstrained systems and violence, with investors pouring money in because few other worthwhile investments are available. Nevertheless, Mr Fan Hengshan, senior economist in the central government's economic restructuring commission, says: "We think that most state enterprises can be transferred to the shareholding system."

The 300 employees of the Changsha Municipal Musical Instrument Factory would not doubt agree. Their profits have risen 30 per cent a year since they were allotted shares three years ago, and they have been earning dividends. The company has expanded from violins, gongs and drums into cooking utensils.

The enthusiasm for shares is, however, symbolic of the erratic pace of China's development. The planners risk treating share ownership as a panacea, while continuing to put off more fundamental reform.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Telecoms in need of a different structure

From Mr J M Harper.

Sir, Your leader "Time to review the regulators" (June 10) was right for telecoms in many respects, although it missed one point. The regime and the work of OfTel undoubtedly need review. Sir Bryan Carsberg is much respected in the industry. But could it really be correct for him as the new director-general of fair trading to review his past actions as director general of telecommunications?

OfTel's accountability to parliament certainly needs strengthening. The House of Lords does not at present have a role in these matters. It has a unique collection of public figures with experience between them both of running and of overseeing the big utilities. They could play a valuable part in improved machinery of oversight.

But this will not be enough. Telecoms has a special problem. Unlike that of electricity, BT's structure was left unaltered at privatisation. It is so big that it overshadows its competitors; and as a private sector near-monopoly it presents government with even greater difficulties of oversight than its public sector predecessor.

This is the heart of the matter. Last July you advocated change in structure for telecoms. You were right.

J M Harper,
11 Ladbroke Grove,
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Costs that influence central banks' mood for Maastricht

From Mr Robert Pringle.

Sir, There is evidence to support Observer's suspicion ("Banker's cutback", June 17) that some EC central banks are "expensive", or at least that their running costs vary widely. Using data from annual reports and information supplied by the central banks, Central Banking puts the operating expenses of five EC banks in 1990 as follows: Bundesbank DM2bn (£1.35bn); Bank

of Italy L1,510 bn (£1.24bn); Bank of France FF6.52bn (£1.28bn); Bank of England £170m (\$234m); Netherlands Bank Fl 227m (\$120m). Where possible these figures exclude the cost of printing bank notes.

There are obviously historical reasons for these variations: staff numbers vary widely, from over 16,000 in the case of the Bundesbank and Bank of France to 1,500 in the Netherlands Bank, as do the

functions performed by the banks. Nevertheless, central bankers are well aware that their costs will come under closer scrutiny as they travel down the road to Emu, which is one reason why some of them are less than enthusiastic about the Maastricht Treaty.

Robert Pringle,
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Alternative view of Mexico

From Mr Christopher Whalen.

Sir, Edward Mortimer's article (Foreign Affairs, June 10) about Mexico contains useful insights, but shows how journalists are frequently charmed by attractively adorned dictators.

The National Solidarity Program did not spring from Salinas' work at Harvard, but out of political necessity. The job of stealing an election, for example, is made easier if only a quarter or even half the precincts require rigging. In contrast to massive, pre-election social spending programmes of the 1980s and 1990s, *Programa* is a rifle-shot approach to acquiring political support, but one with neither transparency nor public accountability for the sources and uses of funds spent.

The PRI uses Solidarity to funnel hundreds of millions of

dollars into public works projects in opposition strongholds, buying votes from otherwise recalcitrant citizens. Mortimer paints an image of Mexicans thanking El Presidente for his generosity, a surreal scene reminiscent of feudal times.

Mortimer rightly observes there is no effective political opposition in Mexico (at the moment, at least). But he fails to note that the vast political and financial advantages made possible by Washington's support, and the related access to foreign credit, make discussion of effective political opposition to single party PRI rule an absurdity.

Mortimer criticises the limited role played by the press, but might rather have said that honest Mexican journalists live with very real danger. Indeed, consider the privileged foreign journalists: First, the visiting scribe, like Mortimer, attends a carefully orchestrated political rally and rides comfortably in the presidential jet. The result: a filtered, pasteurised look at Mexico, though thankfully Mortimer

does mention the violent deaths of journalists.

Then there are the local correspondents, the insiders, who know the realities and players in Mexico City very well indeed, but decline to write about difficult subjects like fraudulent elections, trade deficits, drugs, or corruption within the privatisation process, for fear of being excluded from the next drinks party in fashionable Polanco.

Dictatorships like China, Mexico and Kuwait will disappear only when journalists stop treating them with undue reverence. If we could but pierce the carefully maintained facade of *Salinasroika* with well chosen words, Mexico's people might feel our moral support, as did the peoples of eastern Europe, and thereby discover the will necessary to create a truly viable democracy. Viva Zapata! Christopher Whalen,
editor,
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1717 K Street NW,
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More academic specialists needed for antiques fair vetting

From Mr A Kenneth Snowman.

Sir, I also was saddened by the headline "United front falls apart" (June 13) on an otherwise completely just report from Susan Moore - the fair at Grosvenor House is doing well, looks very good and is certainly not falling apart.

The president and members of the executive of the Grosvenor House Antiques Fair (Letters, June 15) are well aware of my own feelings

about the appeal which reversed the earlier ludicrous rejection by the vetting committee since I wrote to them on June 14 as follows: "As we knew would be the case, you conducted our appeal in the matter of the Burgundian Jewel in an entirely exemplary way and this was in the best tradition of the association."

That, however, is not what it is all about. What I and my colleagues were not pleased

about was the wholesale rejection this year of - again I quote - "so many perfectly good objects from our stand (dramatically more than ever before in our long experience) many of which had been exhibited during previous years... I feel it is essential that many more academic and disinterested specialists be brought in as we have been suggesting by letter for the last three years". I am happy to say that this

policy is now being pursued and I hope, as a former president of both the British Antique Dealers' Association and The Antique Dealers' Fair, that it gains momentum, and that the judgment of the vetting committees will in the future be beyond reproach for the benefit of everyone. A Kenneth Snowman,
chairman,
Worship,
14 Grafton Street, London W1

OBSERVER

When teacher knows best

Richard von Weizsäcker, the German president, has stirred up a storm in Bonn with his new book which fiercely criticises the quality of the country's political leadership. So who does run Germany today?

One group whose influence certainly has not waned is the august body of German economics professors.

Sixty members of this fraternity discomfited the government only last week by signing a petition against European monetary union.

Theo Waigel, the finance minister, staunchly backed by the chief economists of the big three German banks, did his best to counter the academics' criticisms. But, if history is anything to go by, it seems likely that the professors' views will prevail.

The last time that the economics profession caused a similar flurry was in 1969, when 100 economics professors signed a public statement condemning the government's refusal to revalue the Deutschmark.

The episode was one of the contributory factors behind the breakdown of the Grand Coalition government led by Kurt Georg Kiesinger. Five months later, the professors won the day when the Bonn government - a Social Democrat administration under Chancellor Willy Brandt, following Kiesinger's ignominious autumn departure - decided the second revaluation of the D-Mark since the war.

German professors are long-lived animals. So, for conspiracy theorists at least, it is worth pointing out that the latest professorial broadside was supported by several who also signed the

1989 petition - including, notably, the redoubtable Herbert Giersch, the former head of the Kiel economic institute.

Abstract verb

Why is it that most of us would "extract" water but the National Rivers Authority warns about excessive "abstraction"?

Of the industry's several contradictory explanations, the one that makes the most sense is that "abstraction" is permanent while "abstraction" implies that the water eventually will be returned to the river.

Observer suspects that, unlike the hapless River Darent, this one may run and run.

All aboard

How long should a non-executive director sit on the board of a major company? Sir John Hoskins, who has almost finished revamping his Burton board, says that three years is "absurdly short" while five to seven years, is "optimum". After that there is a danger that a director loses his impartiality by getting too close to the company.

Since Sir John took over the Burton chair in November 1990 he has behaved like a model corporate citizen. The management team has been completely overhauled, the finances have been stabilised thanks to last year's rights issue - and he has recruited an impressive array of non-executive directors. Yesterday, Whitbread's Peter Jarvis, and Caroline Marland, deputy managing director of The Guardian, were added to a list of non-execs which includes Bats Brian Garraway and John Brown, an old property hand.



"Bear tent... bear tent..."

Not only is their arrival another sign that Burton is over the worst but it means that whatever else the company lacks it will not be short of expert advice. But the presence of the new faces is yet another reminder that Mark Littman and Ladislav Roca, the last of the old Burton non-executive guard, have long since passed their sell-by date.

Flight of fancy

Prudential has long been running commercials on how Britain's wives long to be free - and it is easy now to see why. An NOP survey released by the Pru yesterday revealed that only 53 per cent of British women would stay with their husbands if they had the choice of a Continental man instead.

They viewed Italian men as the hottest prospects - 11 per cent of the women would prefer one. The French came second with 6 per cent, while Greeks, Spaniards and Dutchmen tied at two points lower. Danes, whether or not boosted by their macho

treatment of Maastricht, were preferred by 3 per cent.

Europe's least desirable man in the she-Brits' eyes were Germans, Luxembourgish and Portuguese. But as they tied at 1 per cent apiece, they have the consolation of knowing that someone, at least, loves them.

Still at sea

The Salvage Association sounds an appropriate sort of warning for those discarded on the political scrapheap. So John Butcher, who produced a crushing defeat for the Conservatives when standing against Shirley Williams in the 1981 Crosby by-election, and who has just arrived as the Association's chief accountant, should fit in well enough.

In fact, the salvage with which Butcher will be concerned is not personal, but rather marine in nature - the organisation being in the business of handing out technical advice to the London insurance market about marine claims.

Butcher's connection with the sea? "I can't comment on that, my role is to look after finance; my colleagues don't expect me to know about safety at sea," says the Royal Navy Reserve Volunteer of ten years' standing.

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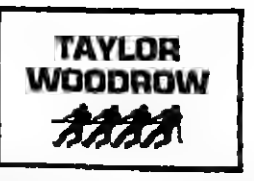
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INSIDE

O&Y outlines plan to restructure debt

Olympia & York yesterday outlined a new debt-restructuring proposal which would include extending repayments on most of its debt for five years. Meanwhile, a group of Canadian banks applied to the Ontario court of justice to terminate interest rate swaps with O&Y. The banks say the value of the swaps is declining as interest rates fall. Page 20

Manweb profits up 60.5%

Manweb, the Chester-based regional electricity company, yesterday reported a pre-tax profit of £94.7m (\$176.6m) for the year to March 1992, up 60.5 per cent. The company's core distribution business increased its profit by 83 per cent to £108.5m. Page 23

Meat-eaters chew up Cranks

A management buy-out, led by two meat-eaters, has bought eight restaurant/takeaway outlets and the brand name of the Cranks vegetarian restaurant chain. Cranks will be to many farmers' hearts with a hippy image, but the driving force behind the buy-out hope to nail those prejudices. Page 24



Nutmegs face the chop

The world's two largest nutmeg producers are contemplating the destruction of about 10,000 tonnes of stocks to stiffen the market and improve prices. Page 32

May is the cruellest month

May was a volatile month for turnover in European stock exchanges. Italy had periods of excitement, but the Danish "No" vote to the EC Maastricht treaty brought fear back into the Milan bourse at the beginning of June. Page 36

Japan's brokers maintain hope

Japan's four main brokers reported generally lower profits from their overseas operations last year. While Nomura Securities was the only one of the quartet to report a consolidated start-of-year profit last year, all four brokers expect to return to profits this year. Page 21

National Semi expects upturn

National Semiconductor, the US chipmaker, is expecting restructuring, yesterday reported fourth quarter net earnings of \$27.5m up from \$5.6m a year ago. It expected economic trends to improve slightly in the coming year. Page 20

Shifts in steel industry

A new phase of restructuring in the world steel industry is shifting the spotlight away from foreign takeovers in the US to the forging of alliances in Europe. Page 19

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Chief price changes yesterday

NEW YORK (\$)		Chargers	184	-	31
Alcoa	48	On Pacific	680	-	16
Apple	55	On Pacific	615	-	16
IBM	51	On Pacific	645	-	15
Intel	51	On Pacific	645	-	15
Microsoft	51	On Pacific	645	-	15
Oracle	51	On Pacific	645	-	15
Seagate	51	On Pacific	645	-	15
Western Digital	51	On Pacific	645	-	15
Yamaha	51	On Pacific	645	-	15

London (pounds)

Alcoa	84	+ 4	ICI	1235	- 36
Apple	235	+ 34	Leamington & B	43	- 5
IBM	145	- 10	Lookers	107	- 6
Intel	318	- 17	Procter Int'l	151	- 12
Microsoft	154	- 12	Rolls-Royce	161	- 8
Oracle	277	- 15	Seymour Trent	1080	- 120
Seagate	192	- 16	Shanks & McEwan	150	- 140
Western Digital	42	- 12	Siemens	620	- 65
Yamaha	24	- 3	Telmex	19	- 19
			Tyne Tees TV	19	- 19
			Unichips	23	- 23
			Widney	23	- 23
			Woolworth	20	- 20
			Yorkshire TV	19	- 19

Peter Bruce on the banker who became a media magnate after a board-room coup in Madrid

Mario Conde walks through fire again

Mario Conde has just infuriated Madrid's close-knit financial community with yet another example of his ability to walk through fire.

On Wednesday the 42-year-old chairman of Banesto, one of Spain's biggest banks, became a media magnate when he engineered the takeover of a television channel and a daily newspaper. Antena-3 TV was taken over in a swift, Banesto-financed \$100m move by Mr Conde, Mr Rupert Murdoch the Australian-born publisher, and a Madrid publisher friend, Mr Antonio Asensio.

Mr Conde has learned quickly to do his business the way most of Spain does - with his friends. He first bounded on to the financial stage in 1987 when he and a friend sold their bulk chemicals producer to Montedison for Ptas55n (\$66m). With the proceeds they bought their way on to the Banesto board just as the bank was being threatened with a takeover and Banesto's rattled board made him president within days of his arrival.

Since January 1988, Mr Conde has become easily the most controversial personality in Spain, making enemies as easily as he holds on to his friends. He rudely cleared Banesto's board of its venerable old shareholders and set himself the almost impossible task of untangling the bank from the cross-holdings that linked it to a vast industrial empire.

The government openly dis-

He is the most controversial personality in Spain

likes him, not least because the media has decided he may become Spain's first democratically elected conservative prime minister if Mr Felipe Gonzalez ever decides to retire.

Mr Gonzalez criticises him in public. The Finance Ministry stopped him selling Banesto's insurance subsidiary offshore and, when he finally separated the Banesto group from the



Mario Conde: the Spanish government openly dislikes him

Antena-3, the least successful of three commercial channels licensed in 1989, needs to radically improve its ratings. To do that, Mr Murdoch's experience and his US and UK programming will be vital.

However, anyone trying to remove Mr Conde from Banesto risks causing great damage to the institution at the same time. And the Banesto group is troubled. After creating his industrial corporation, he had wanted to float some of it for around \$800m. The invasion of Kuwait collapsed the markets, saddling him with industries accounting for 1 per cent of Spanish gross domestic product in an economy the government was trying to cool down.

It has succeeded, and so Banesto's industrial profits plummeted 48 per cent to Ptas2.65m last year. Unable to float the corporation, he is selling it piece meal - Petromed to BP last year, the insurer Union y Fenix into a joint venture with AGF. Industrial affiliates' profits fell 76 per cent on average in 1991. As a result consolidated (bank and industrial) profits fell 7.3 per cent to Ptas2.35n in 1991. For the right price, all the companies are for sale.

At the bank itself, he has managed to sustain asset growth through extremely aggressive lending. Last year Banesto's lending grew 50 per cent faster than the banking sector. This might backfire as bad debts rise to record levels and the investors have cut Banesto's stock market

KIO says it will remain in Spain

By Peter Bruce in Madrid

THE KUWAIT Investment Office (KIO), has told the Spanish government it has no plans to withdraw its large industrial investment from the country in spite of the costs of rebuilding Kuwait and the resignation this month of its long-time partner in Spain, Mr Javier de la Rosa.

KIO's new management met Mr Carlos Solchaga, Spanish finance minister, in Madrid on Wednesday. Valuations of KIO's assets in Spain vary between \$2bn and \$7bn but it is easily the biggest private investor in the country and, with 25,000 employees, the government has been worried by reports that it was considering withdrawing.

In particular, the KIO chemicals group, Erccro, is the mainstay of the domestic chemicals and fertiliser industry and has fallen into deep losses in spite of heavy injections of state funds into its fertiliser operations. Erccro lost nearly Ptas16bn (\$161.6m) last year while the main KIO holding company, Grupo Torres, saw profits fall 25 per cent to Ptas3bn, according to information given to the stock market commission.

It was being suggested in Madrid before the Wednesday meeting that the government planned to insist that KIO cleanse its businesses of their debt - thought to amount to up to \$1.2bn - or at least provide new funds to stabilise some of its companies. Reports that KIO planned to inject a further \$1bn into its operations in Spain could not be confirmed yesterday.

Mr De la Rosa, KIO's representative in Spain for nearly 10 years and who created the Torres group largely on his own, resigned as vice-president of Grupo Torres to pursue his own business interests, mainly in Catalonia.

KIO is looking for an investment bank to monitor its investments in Spain but is also likely to post a Kuwaiti official to Spain for the first time since it began investing here in 1984. For the moment its interests will be managed by an executive committee headed by Mr Luis Vano, director-general of Arabbank, owned by Spanish, Kuwaiti and Libyan interests.

The group's immediate concern is to finalise a joint venture, begun by Mr De la Rosa, between the US commodities group, Freeport MacAurion, and Erccro's loss-making fertiliser and mining divisions.

Hachette path to merger approved

By Alice Rawthorn in Paris

HACHETTE, the heavily indebted French media group, yesterday secured shareholders' consent for a FF2.5bn (\$390m) recapitalisation package as a precursor to its proposed merger with Matra, one of France's largest defence companies.

Mr Jean-Luc Lagardere, chairman of both Matra and Hachette, said that the latter was on course for a return to modest net profits this year - having sustained a FF1.93bn loss in 1991 - but was still experiencing pressure on operating margins.

Hachette, he said, was also under pressure because of the cost of servicing its debt. The group incurred heavy borrowings to finance an ambitious expansion programme in the late 1980s and is now trying to make disposals.

Mr Lagardere said he expected within weeks to announce the sale of Hachette's landmark building on Boulevard St Germain in Paris for around FF600m.

For several months Hachette, which is still trying to recover from the collapse earlier this year of La Cinq, the French TV station, has been locked in negotiations with its shareholders and bankers over its proposed recapitalisation.

It has now secured their consent to implement its proposals which include issuing FF900m of new ordinary shares and FF600m of convertible bonds.

Mr Lagardere said the recapitalisation should be completed by the end of this year or early next year and that Hachette would then proceed with the Matra merger.

This merger, which Mr Lagardere claims will yield considerable cost benefits, has been fiercely criticised in France because of the apparent lack of synergy between the two companies.

Last year, Hachette was affected by the impact of the economic slowdown on its media businesses, particularly in the US, as well as by the La Cinq debacle.

Siemens pulls out of IBM deal

European memory production may end, writes Michio Nakamoto

SIEMENS, the German electronics group, is reducing its participation in the semiconductor memory market in a move that could mean the end of European memory production.

Siemens has decided not to build a new manufacturing plant for advanced semiconductor memory chips which it has been developing with IBM, the US computer group, in an agreement made a year ago.

"We are not going to build a 64-megabit D-Ram facility with IBM," a Siemens representative said. "The intention is that we will not be a major player in the D-Ram market after the 16-megabit."

Meanwhile, IBM said yesterday that it was looking for a partner to collaborate in the manufacture of 64-megabit D-Rams in Europe.

"At present we continue to plan for 64-megabit manufacture in Germany. We are looking for new partners within the time-frame of roughly one year," IBM said.

The decision by Siemens does

not mean it will pull out of the memory market immediately. It still manufactures 1-megabit, 4-megabit D-Rams and is collaborating with IBM in 16-megabit production.

However, it does mean when those products are replaced in the latter half of the decade by future generation products, Siemens is not likely to be a participant in the D-Ram market.

Its decision stems from its view that longer-term demand for D-Rams will decline, and since intense competition has led to sharp price falls and many manufacturers of D-Rams are losing money, it does not make sense to continue to invest in that product.

The worldwide market for D-Rams has been depressed over the past few years, particularly in Europe, where manufacturers are willing to keep prices low to increase market share, according to Mr Harding.

There are too many D-Ram suppliers and companies who stay in D-Rams may kill themselves," said Mr Byron Harding at Dataquest, the high technology consultancy.

Siemens had continued to manufacture memories, which were considered technology drivers because it wanted to master the D-Ram manufacturing process in order to move into more advanced technologies.

However, it no longer believes this is true. Instead it hopes to use skills learned in the development of memories to manufacture more profitable products, such as application-specific integrated circuits.

Siemens's decision to move

Intel wins round in battle to halt cloning by AMD

By Louise Kehoe in San Francisco

INTEL, the leading US manufacturer of microprocessor chips for personal computers, has won a critical lawsuit in its battle to prevent Advanced Micro Devices from cloning its products.

A Californian jury has returned a verdict that AMD does not, as it has claimed, have the right to use Intel's microcode, the internal instructions that control a microprocessor.

AMD has won an estimated 30 per cent share of the market for 386 microprocessors, since the company launched its own version of the Intel device last year, boosting the company's sales and earnings to record levels.

AMD's stock price fell 35% yesterday on news of the verdict, to 39¢. Intel gained 3% to \$51.

The lawsuit is one of several between the two companies involving AMD's rights to Intel technology. The latest decision is a serious setback to AMD's efforts to become a major competitor in the microprocessor market because the company may now be forced to create its own microcode for all microprocessors. This is a long process in which AMD has no experience.

The latest case involved Intel's

287 math co-processor, a device that works alongside a microprocessor to boost its calculating speed. Intel had filed suit against AMD in 1990, charging the company with copyright infringement.

AMD claimed to have license to use Intel's microcode under a 1976 pact between the companies and arguments in the case revolved around interpretation of the agreement.

Intel said the microcode licence was limited to its use in computer systems designed for software development, and AMD failed to convince the jury that its licensing rights were broader.

Intel hailed the decision as a seminal victory in its legal battles with AMD. "We are extremely pleased with today's verdict," said Mr Thomas Dunlap, Intel general counsel. Mr W.J. Sanders, AMD chairman, told employees: "We have suffered a setback - not a defeat."

AMD said it would now have to produce its own version of the internal instructions for a next-generation 486 microprocessor it had planned to launch soon, delaying introduction of the product.

For 1991 AMD reported revenues of \$1.2bn and profits of \$145.3m. Intel reported record revenues last year of \$4.78bn and \$815m in profits.

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GPA GROUP'S ABORTED GLOBAL ISSUE

Demand falls short by 30m shares leaving financial advisers bitterly disappointed

Investors in UK and US shy away from deal

By Sara Webb, Simon London and Richard Waters

DEMAND for GPA Group's shares fell well short of the goal set by the aircraft lessor's financial advisers, with UK and US institutional investors shying away from the deal.

Originally, GPA had hoped to sell 80m shares worldwide, with 30m in the UK and Ireland, 30m in the US, 15m internationally (continental Europe, the Middle East and Asia), and 15m in Japan.

Instead, by early yesterday morning, the financial advisers to the issue found that there was only demand for about 50m shares, with nearly half of that - 22.93m - coming from retail investors in Japan.

Although some of the other financial advisers remained sceptical about the strength of Japanese demand for the shares, Nomura, the global co-ordinator for the issue,

denied its managed investment funds would have been used to mop up the shares. It said that two-thirds of the demand from Japanese retail investors was new money.

Demand from international investors, particularly Swiss, German and Middle Eastern institutions, was healthy, amounting to 13.3m shares. However, in the UK and Ireland demand amounted to only 7.5m shares, while in the US there was only a demand for 6.5m shares. In both cases, the institutions were notable by their absence, according to the financial advisers involved in the flotation.

One adviser said: "US institutional demand was disappointingly small - although maybe it would have been better if there had been more time to sell the issue."

With such a low proportion of institutions willing to buy, financial advisers pointed out

there was not a substantial enough investor base for the deal to go ahead, and expressed concern that the retail investors could have quickly sold out if the issue had gone ahead.

Financial advisers and investors yesterday provided plenty of reasons why GPA had not proved a popular stock. Many pointed to the current difficulties faced by the US airline industry, general market conditions, and the reluctance of the US fund managers to commit themselves to the issue before seeing the response of the UK investors.

One of the advisers to the issue complained: "There wasn't any single issue which arose, but it was partly the fact that the US investors seemed to be looking to the UK for a lead, while the UK investors looked to the US for a lead."

Another of GPA's financial advisers blamed conditions in

the US market for IPOs (initial public offerings). "Several recent IPO issues have subsequently traded at below the price offered, which doesn't look good."

GPA's rapid growth and the dominating style of its senior management made some potential investors wary. The head of investments at one of the UK's biggest insurers said: "People are very nervous about these large entrepreneurial businesses - it hasn't been a good year for them."

In addition, GPA's high level of gearing and the complex financial structure of the group put off the more cautious investors. "It's the sort of business that's very difficult to understand," said one. "It's like a pyramid of cards. If something goes wrong, the whole lot could come down."

The airline industry analyst at one of the largest US mutual funds, which has \$70bn under

management, gave several reasons for turning down the GPA offer. "GPA badly needed access to public equity finance, which is not the best motivation for a global share offering," he said. "Investors were unnerved by the air of urgency." He added an assortment of further reasons for remaining cautious including:

- The cyclical peak in leasing margins and residual aircraft values has already been reached against a background of decline in the airline industry as a whole.

- It was "common knowledge" as early as last year that Air Canada and Air Lingus wanted to liquidate their holdings in GPA, and the stock was touted around the US.

- GPA's financial strength was questionable. Total debt rose from \$2.7bn in 1991 to \$4.1bn in 1992. Gearing rose from 340 per cent to 330 per cent.

- The company is committed to raising \$1.9bn to fund aircraft purchases to the year 2000, with a further \$9.1bn required if it exercises options on aircraft. Lines to meet these funding needs are not in place.

- Lease financing from Japanese banks, the engine of the business in the 1980s, has dried up. This could lead to an increase in on GPA's cost of funds.

- GPA's profitability was already in decline. Upward pressure on funding costs will accelerate this.

- Most of GPA's customers were not among the top league airlines, so its exposure to credit risk is substantial.

- The failure of the issue has clearly been a bitter disappointment to many of the financial advisers concerned, particularly Nomura given that it was the company's first mandate as global co-ordinator for an equity deal outside Japan.

Market takes the cancellation in its stride

By Maggie Urry

THE MOST cheerful interpretation that analysts could put on the sudden cancellation of the GPA Group flotation yesterday was that it removed one source of supply of new stock.

Money earmarked for the issue could be diverted elsewhere in the equity market, which is beginning to suffer indignation from the weight of new paper being sold.

But as less optimistic strategists put it, hardly any UK investors had earmarked cash for GPA anyway.

The announcement that the issue had been pulled at the last moment was certainly a factor in the 35.7 point fall in the FT-SE 100 index to 2,562.7. But the market had already

coped with the postponement of the 31 flotation until next year. Strategists feel the stock market has more to worry about than delayed flotations.

Overnight falls in New York and Tokyo, due to pressure on corporate profits, were more frequently cited as reasons for nervousness in the UK market yesterday.

The dampening of hopes for economic growth in the UK and the prospect of further downgrades of earnings estimates were also viewed as more serious concerns.

As one strategist put it: "GPA barely makes it into the top 10 of reasons to be bearish." The market could become more concerned, though, if there were suggestions that the cancellation of the flotation put GPA's financial position into doubt.

A well-publicised, last-minute, cancellation like GPA's - unlike 3i's issue which was still some way from the market - cannot help sentiment towards other issues in the pipeline, but it may have little real impact. The UK market is experiencing the greatest run of new issues, apart from privatisations, since the 1987 stock market crash.

Wellcome Trust, the majority shareholder in Wellcome, the pharmaceuticals group, which is planning a \$4bn secondary offering, said that GPA's cancellation "in no way changes or affects our plans." However, Wellcome's shares fell 26p to 919p yesterday.

Like GPA, the Wellcome sale is a big international offering. But corporate financiers agreed the GPA flotation was so distinct from the Wellcome issue that the latter should not be seriously affected.

They noted that Wellcome's sale structure was more flexible than GPA's had been, allowing it to direct shares to areas of stronger demand. Further, the group is more readily comprehensible to investors, and is part of a well-researched sector of the market.

Wellcome is also putting a great effort into educating investors through a massive international road show. And since it is a secondary offering, it is being priced against an existing share price, whereas GPA's pricing was a much more difficult exercise.

Other issues in train, such as MFI and Kenwood, are not expected to be seriously damaged by GPA's decision. More worrying for them is the general fall in the stock market over recent weeks, which will be reducing the prices vendors can expect for the shares.

The US market has also been a source of short-term liquidity for GPA via its \$350m commercial paper programme, set up in March 1990. The prospectus said GPA had on average \$9m commercial paper outstanding at any time. S&P said yesterday its short-term commercial paper rating for GPA would not be reviewed.

Securitisation remains one of the group's best chances of raising further debt in the near future. Last week, GPA made the first issue of securitised aircraft leases.

Under the issue, 14 aircraft leases were placed in a special purpose company which then issued bonds. The cash flow from the leases is used to pay bondholders.

Similar techniques are well established in other areas of the financial markets: credit card debt and mortgages are often securitised in the US.

The special purpose company which owns the aircraft leases and issued the bonds is "ring-fenced" and should be immune from any financial difficulties at GPA. The price of last week's bonds were barely affected by yesterday's news.

Analysts said that the availability of securitised finance depended on the health of the airline industry. If charter companies leasing the aircraft default, bondholders will only continue to receive payments if the aircraft can be repossessed and either leased or sold.

That means that securitised bonds look a less attractive investment if airlines and charter operators are in financial difficulty, if income from aircraft leases falls, or if the residual value of commercial aircraft is depressed.

GPA made its first public bond offering at the end of last year, a \$500m seven-year issue in the US market, and has placed bonds and preference

Advisers learn a costly lesson from success-related deal

By Roland Rudd

THE GLOBAL offer for GPA Group's aborted \$600m (\$435m) flotation was billed as the first of its kind. For the advisers involved it proved to be the most expensive.

None of the investment banks engaged for the flotation, which included Nomura International as global co-ordinator, Merrill Lynch, Goldman Sachs and Salomon Brothers in the US and Schroders and BZW in the UK, will be paid a penny. Their fees were success related. Failure will have cost them dear: during the past year GPA absorbed a bigger chunk of their time than any other planned flotation.

Only Hambro Magan, the company's permanent financial adviser, is on a retainer. Some of the advisers yesterday said, that after having done so much work on the issue, they would like to establish an arrangement whereby they might be put on a retainer for future advice.

Mr Maurice Foley, GPA's chief executive, said he was still looking at all the options, including whether it was possible to seek a public listing.

But, as to retainers, it was too early to tell. All he could say was that technically all of the advisers' contracts have expired and so they could be seen to have "stepped down". Although he made it clear that they had not been fired nor resigned.

The listing was to have been simultaneous in New York, London, and Dublin, with a placement of shares in Japan. There was to be a public offer by tender to give the issue

maximum flexibility. Instead of asking US banks to underwrite a fixed price without knowing the demand - something which they are increasingly reluctant to do - lead managers sought to build up a book of orders before pricing the shares.

There was a price range of \$10 to \$12, following a 1-for-1 scrip issue, but the actual price would not be fixed until the investment bankers had clear figures of demand in each country.

Each market was given an indicative amount: 30m shares to the UK, 20m to the US, 15m to Japan and 15m to the rest of the world. The competitive tensions between the different markets was expected to ensure demand.

As late as last Sunday evening the advisers believed that the issue would be over-subscribed. This was because they had a better response from retail investors than institutions.

Indeed, only 10 days ago the advisers leaked the fact that they had persuaded the company to issue another 5m shares. "I am not into recommitments, but we were advised to increase the number of shares on offer from 80m to 85m 10 days before we had to pull the issue," Mr Foley said yesterday.

The issue collapsed when it became clear on Monday that there was no institutional demand from the US. According to Mr Foley that affected sentiment in the UK and the rest of the world.

"The complexity of the bookbuilding issue," said Mr Foley, "with one domino leaning on the other, may not have been the right way."

Airline executives fear blight on orders

By Daniel Green

THE FAILURE of the flotation will further disrupt the order books of world aircraft manufacturers, said airline executives yesterday. They also feel that it will raise the cost of financing aircraft and so help push some of the weakest airlines into bankruptcy.

GPA stood to raise at least \$3bn (£1.6bn) from the flotation. The first \$800m was to be directly from the issue of new shares and the rest through increased borrowing.

GPA said yesterday it was confident that it could tap other sources, but others in the aviation sector believe GPA and other purchasers will have far less money than planned - and at a higher cost - to spend on new aircraft.

This is the latest blow for recession-hit manufacturers. In the last few months the big three US airlines - American, United and Delta - cut their capital spending programmes.

Other airlines have deferred delivery dates. And only last week, McDonnell-Douglas said it was all but abandoning development of the MD-12 600-seat aircraft.

As the largest leasing company in the world, GPA is also one of the biggest buyers of new aircraft. Its firm order book, worth \$1.9bn, accounts for more than 10 per cent of the outstanding orders of Boeing and Airbus, the world's biggest civil aircraft makers.

Without new equity, it will not have the cash to pay for all of these aircraft. Unless GPA can issue more equity - through a flotation or private placements - it might be forced to cancel some of the 308 aircraft on order for delivery between 1993 and 2000, said City analysts.

Aircraft manufacturers were tight-lipped yesterday, insisting that GPA finances were not their affair. Investors took a different view however. The share prices of Boeing and

McDonnell-Douglas of the US, Fokker of Holland and stakeholders in the Airbus consortium, such as British Aerospace, all fell.

Smaller airlines also felt the pressure. GPA often leases to smaller or poorly capitalised airlines which struggle to obtain attractive terms for financing to back expansion.

Part of the reason for the share price weakness was fear that aircraft buyers would delay purchases further, increasing the pressure on prices. "Aircraft values could be sent spiralling downwards," said Mr Keith McNellan, managing director of Avmark, aviation consultancy, yesterday.

There was also recognition that GPA, a financial company expected to have good contacts in the investment community, had failed to persuade investors that the airline industry was a good bet.

"It cannot be good news that GPA cannot attract funds in the present business climate," said Mr Alan Hodder of the International Bureau of Aviation, a US-UK consultancy.

Airlines have been unable to recover strongly from the collapse in demand caused by the Gulf war. US carriers have fought a series of price wars that have destroyed hopes of short-term profitability.

Another price war has just begun, and this week American Airlines, the only large US carrier to make a profit in 1991, said it would lose money in the second quarter of this year.

Such is the desperation of the airline industry to see a fall in the number of competitors, that executives were yesterday prepared to argue privately that the failure of GPA's flotation was a good thing.

"It will make it more difficult for weak or small airlines and will help consolidation in the industry," said one executive. The corollary, was that fares would eventually increase and allow airlines, to repair their damaged finances.

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Larger Irish institutions hoped to reduce stakes

By Tim Cooney in Dublin

IRISH institutional investors and shareholders that had together planned to dispose of some 6.5m shares in yesterday's combined offering in GPA Group, were unwilling to comment on the company's surprise decision to withdraw the offer.

But there was widespread unhappiness elsewhere in Dublin. "The signals in the London market had been there for weeks," one banker said.

"The failure of the offer has a lot to do with GPA's own arrogance. GPA was forcing the pace the whole time over the price of the offer. You can't push institutions uphill, and GPA weren't prepared to recognise that. For years they have been promising a public offer, but then they kept turning them to the institutions and asking them to keep their holdings for another year. They have lost a lot of friends like that."

Although some existing GPA shareholders were due to reduce their stakes, institutions and retail investors had been expected to buy a total of between \$30m (£16.2m) and \$40m of new shares in Dublin. As a result, Irish institutions would have shown a net increase of about \$20m in their holdings.

Mr Mike Moroney of Goodbody stockbrokers said a number of the larger institutions already holding GPA stock were looking to reduce their exposure, as once floated GPA would have represented 20 per cent of the Dublin stock market's market capitalisation.

He said that the target exposure to GPA as a percentage of their Irish market portfolios that the institutions were aiming at was about 6 per cent. "Some would have been waiting to reduce their level to that, others would have been looking to get in," he said.

GPA's rapid growth put it on the verge of becoming Ireland's biggest company. Had it been floated, GPA would have accounted for 30 per cent of the Dublin stock market capitalisation.

Mr Ryan's implacable drive and his creation of a major international business from such humble beginnings, has won him admirers, but also detractors. One Dublin banker said yesterday: "He has been very arrogant with the institutions, and there are probably more than a few people laughing up their sleeves at the moment."

As Mr Maurice Foley, GPA's chief executive said recently, leasing "is a very cold, unsentimental business, even in Ireland".



A time for reflection: Tony Ryan, chairman of GPA, pictured yesterday after the announcement that the flotation was off

Japanese brokers blame flop on Nomura

By Stefan Wagstyl in Tokyo

THE SUCCESS or failure of the GPA flotation hinged on the willingness of Japanese institutions to bid for the stock. In the event, they shunned the issue in sufficient numbers to force the underwriters to scrap the offer.

Despite intense efforts from Nomura Securities, the international co-ordinator for the offer and the lead underwriter for Japan, investors bid for only about 90 per cent of the stock earmarked for Japan.

Underwriting managers at rival securities companies said Nomura's own clients had accounted for about 70 per cent of the total. "The rest of us sold very, very little. Nothing like as much as Nomura," said one underwriting manager.

Underwriting managers said institutions

had declined the offer because of the general uncertainty about world financial markets, including the market for aircraft leasing.

They also had not fully grasped the nature of GPA's business and had been frightened away by an article in Saturday's Financial Times which had advised investors to avoid the offer. "It did a lot of damage," said one underwriting manager.

Moreover, institutions were influenced by the experience of Mitsubishi Trust & Banking, the leading trust bank, and other Japanese investing companies which bought shares in a private deal at \$3 and would have realised a large loss if the offer had proceeded. Mitsubishi trust bank has a close relationship with GPA and owns 13.4 per cent. Some fund managers

judged that if Mitsubishi trust bank had lost money then less well-connected and less well-informed investors should stay away.

Underwriting managers said that the main interest in the offer came from private individuals who had despaired of finding a good investment in the depressed Japanese market. But, as one underwriting manager said, salaried men were cautious about promoting such stock to individuals since they had even less idea about the nature of GPA than the institutions.

There was plenty of recrimination in Tokyo last night with rival brokers heaping the blame for the flop on Nomura. They said Nomura had been over-ambitious. They also said Nomura mishandled the cancellation with some investors receiving the news before others.

General Ryan loses the battle of the bulge

THE SHANNON headquarters of GPA looks more like the branch office of a small software company than the nerve centre of a worldwide business.

Its main operations room, however, resembles the war games room of a military headquarters. Maps, charts and data can be instantly called up from blinking banks of computers on to three movie screens. Information on every jet manufactured in the western world - maintenance history, owner, technical data - can be shown in seconds.

Simultaneously, maps can be displayed showing the locations of individual aircraft types, beside charts of the latest exchange the world's main financial centres. The locations of GPA's 100-odd marketing agents in the field can

be superimposed, and game plans drawn up. Here the company's executives meet every Monday morning to discuss strategy. Chairman Tony Ryan, who started GPA with \$50,000 in 1976, does not tolerate excuses for missed meetings.

The grandson of a station master, and son of a train driver, 56-year-old Ryan started with Aer Lingus as a dispatcher at Shannon airport when he was 19. Quickly moving up through the ranks, he discovered there was money in jet aircraft leasing when he leased two 747s for Aer Lingus in the mid-1970s.

Guinness Peat, the merchant banker, and Aer Lingus, helped him set up GPA, providing 90 per cent of the capital. The company initially earned com-

missions by placing one airline's surplus aircraft with those short of jets. Since 1987, he has built a star-studded cast of non-executive directors, including Nigel Lawson, former UK Chancellor, Garret Fitzgerald, former Irish prime minister, Sir John Harvey Jones, chairman of The Economist, Peter Sutherland, chairman of AIB Group and former EC Commissioner, and Shiroku Morohashi, president of Mitsubishi.

Today, "the business of GPA is turning airplanes into attractive financial assets and selling them to investors," says Mr Ken Holden, GPA's chief strategist. Its 300 employees - about a third of whom are abroad at any one time doing just that - produced a profit of US\$279m in the last financial year,

almost trebled in five years. GPA's rapid growth put it on the verge of becoming Ireland's biggest company. Had it been floated, GPA would have accounted for 30 per cent of the Dublin stock market capitalisation.

Mr Ryan's implacable drive and his creation of a major international business from such humble beginnings, has won him admirers, but also detractors. One Dublin banker said yesterday: "He has been very arrogant with the institutions, and there are probably more than a few people laughing up their sleeves at the moment."

As Mr Maurice Foley, GPA's chief executive said recently, leasing "is a very cold, unsentimental business, even in Ireland".



GPA's high-tech headquarters in Shannon: nerve centre of the worldwide business

INTERNATIONAL COMPANIES AND FINANCE

STET share offer draws heavy investor demand

By Neil Simpson in Milan

DEMAND for shares and warrants in STET, the Italian state-owned company which controls the country's telecommunications activities, has almost doubled the quantity of paper on offer.

The news, which follows the deal's closure ahead of schedule on Tuesday evening, will raise L707m (\$592.1m) for IRI, the cash-strapped state holding company which controls STET.

After all warrants are exercised, IRI's stake in STET will fall to around 53 per cent of its ordinary shares and just 1 per cent of its holding stock. IRI currently has about 69 per cent of STET's ordinary shares and 30 per cent of the savings stock. If all outstanding warrants are exercised,

The secondary sale of equity in STET was launched on Monday. The offer was constructed in the form of "packages", priced at L2,020,000 apiece. Each package comprised 1,000 ordinary STET shares along with 50 warrants convertible into a further 500 ordinary shares and 100 warrants convertible into 1,000 savings shares.

Around 6,700 offers, for a total of 680,000 of the "packages" of shares and warrants being placed, were received, against the 350,000 packages on offer, according to the lead-manager, Mediobanca. Some 63 per cent of Italian investors and the remainder from abroad. Around 3,600 shareholders put in bids for over 215,000 packages, and will receive 176,000 Mediobanca units.

Sparbanken in SKr750m loss for first four months

SPARBANKEN, the Swedish savings bank, has posted a SKr750m (\$132.7m) operating loss for the first four months of the year after loan losses totaling SKr3.075bn, writes Robert Taylor in Stockholm.

The bank said yesterday that the deficit was in line with estimates made at the time of the Swedish government's SKr7.3bn bail-out of Försä Sparbanken in April.

The Swedish savings bank industry is going through drastic change. By the end of the year, Sparbanken will merge with 10 regional savings banks, the Stockholm-based Försä Sparbanken and Svedbank. The aim is to streamline the industry by creating the largest savings bank in the country with SKr540bn in assets.

By 1994, Sparbanken intends to cut costs by SKr2bn from a level of SKr9.5bn at the beginning of the year in an effort to achieve a 16 per cent profitability ratio.

Enso-Gutzeit FM76m in the red in spite of sales gain

ENSO-GUTZEIT, the Finnish pulp and paper group, has returned a FM76m loss (after financial items) for the first four months of the year, compared with a FM182m (\$42.4m) loss for the same period of 1991, writes Robert Taylor in Stockholm.

Net sales went up by 8.8 per cent to FM5.36bn. The company said internal rationalisation

measures would ensure a continuing revival towards profitability, but operations would still be showing a loss by the end of the year.

Mr Jukka Härmälä said competition had kept prices down, particularly for fine papers and publication papers, while the paperboard market was stable and demand for Scandinavian sawn timber increased.

Seven sugar groups face Brussels fine threat

By David Buchanan in Brussels

THE EUROPEAN Commission is threatening to fine seven sugar companies in the UK, Ireland, France and Denmark on suspicion that they have been illegally protecting their home markets from competition, and so forcing prices up.

The Brussels competition directorate has sent five sugar producers - among them, British Sugar, Tate and Lyle, and Irish Sugar - and two sugar trading companies a formal "statement of objections", alleging infringements of the anti-cartel Article 85 of the Treaty of Rome.

The companies have the chance to present their case in a formal hearing in Brussels, before the Commission takes any final action. The latter could be some months off.

The action, which came to light yesterday in a statement by Greenpeace, owner of Irish Sugar, to the Dublin Stock Exchange, follows a seven-month investigation from September 1990 to March 1991.

The Commission alleges that from 1985-1986 until the start of its investigation, the companies concerned took a variety of actions which insulated their national markets, particularly the UK, from any effective competition from abroad.

Article 85 bans companies from pursuing practices which generally "have as their object or effect the prevention, restriction or distortion of competition" within the EC.

UK TV stations unveil link plan

YORKSHIRE Television and Tyne Tees Television, two northern England companies that won independent television franchises last year, yesterday announced terms of a merger, write Richard Gouley and David Owen.

A recommended offer from Yorkshire values the Tyne Tees share capital at £30.4m (\$66.34m).

Stainless steelmakers set to forge alliances

Andrew Baxter reports on the renewed interest in partnerships between European producers

A NEW phase of restructuring is under way in the world stainless steel industry. The spotlight has shifted away from foreign takeovers in the US and has refocused on the forging of alliances in Europe.

Last month's announcement that British Steel and Avesta, the Swedish stainless steel producer, were discussing potential collaboration raises the prospect of a new force in the stainless industry to challenge France's Usinor-Sacilor, which is the world's biggest producer.

Industry observers, and rivals of the UK and Swedish companies, are convinced that a deal will soon be announced to unite what one analyst calls "two second-division players". This will not be the end of the restructuring, they say, in an industry which remains plagued by overcapacity - in spite of better growth prospects than in the recession-torn carbon steel industry.

The restructuring in stainless began in the US before the current recession. In the late 1980s, the US producers' relative inefficiency, poor investment record and structural undercapacity in some product sectors turned them into attractive acquisition prospects for efficient outsiders. Ugin, the USinor subsidiary, led the influx of foreign buyers and joint ventures.

This suggests that alliances will not end with transatlantic deals.

● All manufacturers share common internationally denominated raw material costs and want to increase their purchasing power.

● Grade specifications are becoming increasingly homogeneous worldwide, making it easier to centralise research and engineering functions and then apply the results to manufacturing facilities worldwide.

● Globalisation makes the slow and expensive process of finding new applications for stainless faster and cheaper by spreading the costs and the benefits worldwide.

All these trends are now making their mark on European producers, which at the same time have yet to tackle the problems of overcapacity in manufacturing. In stainless flat products, says Mr Philippe Choppin de Janvry, chairman and chief executive of Ugine, there is overcapacity of 20 per cent to 25 per cent, and much more in the smaller long-products sector.

Some overcapacity is necessary if producers are to respond to demand increases, but the industry suffers from a chronic problem common to the European steel sector generally: "When things are going well, nobody wants to restructure, but in bad times, no one is willing to take the pain," says Mr Rod Beddows, founder of the Beddows consultancy.

Short-term factors are encouraging partnerships, too. As the world stainless industry

WORLD STAINLESS STEEL INDUSTRY*

	Production	Consumption
1981	6,574	4,496
1982	6,168	4,376
1983	6,972	5,020
1984	8,021	5,730
1985	7,615	5,570
1986	8,208	6,224
1987	9,185	6,830
1988	10,527	8,100
1989	10,192	7,820
1990	10,675	8,345
1991†	10,400	8,120

* Thousands metric tonnes. Excludes stainless Europe and former Soviet Union.
† Estimates by Beddows.

Source: World Stainless Steel Statistics, 1991

begins to emerge from recession, European producers want to position themselves to take advantage of the upturn. After a very poor second half of last year, the European market for flat stainless products is slowly improving and the US market is definitely picking up, says Mr Choppin de Janvry.

For the medium-sized European producers, the recovery prospects, however faltering, are a spur to salvage some of the financial strength which they lost through the past two years of bleeding balance sheets.

Growth forecasts of 3 to 5 per cent for the stainless steel industry may look unexciting, but dwarf the puny 0.5 per cent growth predicted for the European carbon steel market.

Hence the need for partnerships to produce benefits of scale that will finance the

long-term investments needed to exploit this growth, and keep up with changing production technology trends.

There is a further reason for the renewed interest in partnerships and joint ventures within the industry: the industry prefers to downplay.

In the summer of 1990, seven large European stainless producers shared a token Ecu425,000 (\$327,000) fine levied by the European Commission for operating a price and production cartel.

British Steel was one of the seven, and Avesta was in the cartel but not fined because it is based in Sweden, outside the EC. The ending of the cartel, known as the Sendzimir Club after a stainless production process, has increased competition in the European market.

British Steel and Avesta are staying silent about what kind of deal may emerge from their talks, but are keenly aware of all the short and long-term pressures on them.

A merger or joint venture between British Steel Stainless and Avesta, which produces only stainless steel, would unite two similarly-sized, but financially weak manufacturers to create one of the world's largest producers with annual output of around 700,000 tonnes, eclipsed only by Ugine, which claims output of about 800,000 tonnes.

Significantly, a link would produce a dominant player in the European stainless sheet business, with a share of as much as 40 per cent of a market supplying investment-intensive process-plant industries such as chemicals. One analyst suggested this might attract the attention of the EC's competition authorities.

For Avesta, a deal could make a big difference to the return on its new "Stekel" mill for hot-rolling slab into coil - the first stage in the production process for cold-rolled sheet. British Steel does not have a dedicated stainless hot mill and is unlikely to buy one with its current clamp-down on capital spending.

For British Steel, the main benefit of a deal would be access to Avesta's extensive overseas distribution network. Both companies, says Mr Beddows, will gain more critical mass in the US.

The question remains whether any deal will lead to any significant reduction in European stainless production capacity. Observers do not foresee wholesale jobs cuts, either at Avesta or at British Steel, where more than 2,500 are employed in stainless, but some rationalisation looks likely. "If I were the boss, I would be rationalising," says Mr Choppin de Janvry. "I know their management, it's very capable, and it will do the same."

If a link-up between the two companies prompts further restructuring in the industry, it could be the first step to a healthier sector. But closures, particularly in long products, may still be unavoidable to achieve that.

Brent Walker hit by property losses

By Maggie Urry in London

BRENT WALKER, the leisure and property group which completed a £1.65bn (\$3.05bn) refinancing in March, made a retained loss of £411.4m in 1991.

The loss compares with one of £287.7m in 1990. It was mainly caused by a sharp rise in interest costs, from £116.2m to £235.5m, and exceptional costs of £201.3m compared with £116.9m a year earlier.

Provisions for falls in property values accounted for £142.5m against £97.7m of the exceptional. Fees and costs involved in the refinancing were £38.5m, up from £14m. There were reorganisation costs of £19.1m against £1.5m.

Lord Kinnerley, chairman of the UK group, said: "1991 was, by any standard, a most trying year for the group."

As well as the financial restructuring and the losses, Mr George Walker, former chairman and chief executive, is claiming compensation for loss of office. The Serious Fraud Office has launched an investigation into the company's affairs. Lord Kinnerley said Mr Walker had "gone quiet" and he could not comment on the SFO investigation.

Unichips acquires Spanish crisps group from Borden

By Neil Simpson in Milan

UNICHIPS, the privately-owned Italian company which is the country's biggest maker of potato crisps, is expanding further in Europe with the purchase of Crespan, Spain's second-biggest crisps group.

The vendor is Borden, the US multinational which bought Barcelona-based Crespan in 1984. No price for the deal, in which Rothschild Italia advised the purchaser, was revealed.

Unichips, controlled by Mr Alberto Vitaloni, the son of the founder, is best known in Italy for its San Carlo brand, which has around 60 per cent of the domestic potato crisps market. The company started operating in Spain in 1980, and the following year bought control of Florid in France, where it is also the market leader.

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"). It does not constitute an offer or an invitation to any person to subscribe for or purchase any shares.

Application has been made to The Stock Exchange for all of the 'A' Ordinary Shares and the Convertible Loan Notes of IAWG GROUP, PUBLIC LIMITED COMPANY (formerly known as the IAWG Group) to be admitted to the Official List in London and in London. No application has been made for the 'B' Ordinary Shares or the IAWG Loan Notes to be admitted to the Official List. It is expected that the 'A' Ordinary Shares and the Convertible Loan Notes will be admitted to the Official List on 24 June 1992 and that the 'B' Ordinary Shares will be admitted on 25 June 1992.

IAWG GROUP, PUBLIC LIMITED COMPANY
(Incorporated and Registered in Ireland under the Companies Act, 1963 to 1990, Registered Number 122287)
INTRODUCTION TO THE OFFICIAL LIST
Arranged by
DAVY CORPORATE FINANCE LIMITED
Through
J&E DAVY

SHARE CAPITAL

Authorized	Number of Shares	Issued and Called Up	Number of Shares
10,000,000	10,000,000	10,000,000	10,000,000
10,000,000	10,000,000	10,000,000	10,000,000

Without the sanction of a special resolution of the holders of the 'A' Ordinary Shares, no dividend shall be paid on the 'A' Ordinary Shares unless a dividend of at least equal to one penny shall be paid on the 'B' Ordinary Shares. A dividend may be paid on the 'A' Ordinary Shares and not on the 'B' Ordinary Shares. The 'A' Ordinary Shares and the 'B' Ordinary Shares rank pari passu in all other respects.

There are 14,500,000 IAWG Convertible Loan Notes in issue. The IAWG Convertible Loan Notes are convertible into 'A' Ordinary Shares at various dates between 1992 and 2000 and are redeemable in certain circumstances at par. The IAWG Convertible Loan Notes rank pari passu in all respects with the 'A' Ordinary Shares of the Company, save that on a winding up of the Company the IAWG Convertible Loan Notes will be subordinated to the ordinary shares of the Company.

Listing particulars details are included in the Prospectus which is available from Davy Corporate Finance Limited, 151 Thomas Street, London EC2A 4PE from 15 June 1992. Copies of the Listing Particulars dated 15 June 1992 may also be obtained during normal business hours on any weekday from IAWG GROUP, PUBLIC LIMITED COMPANY and Davy Corporate Finance Limited at the addresses below and also, by collection only, from the Company's Secretaries at 28 Angel Lane, Dublin 2 and at the Stock Exchange, London EC2N 1EP for the two business days following the date of this notice.

IAWG GROUP, PUBLIC LIMITED COMPANY
151 Thomas Street,
Dublin 2,
Ireland
Tel: (01) 771111

Davy Corporate Finance Limited
151 Thomas Street,
Dublin 2,
Ireland
Tel: (01) 771111

STATE BANK OF SOUTH AUSTRALIA
A \$75,000,000
FLOATING RATE NOTES DUE 1994

Holders of the notes of the above issue are hereby notified that for the next interest sub-period the following will apply:

INTEREST RATE: 5.97 PER CENT PER ANNUM
INTEREST PERIOD: 18 JUNE-18 SEPTEMBER 1992
INTEREST AMOUNT DUE: 18 SEPTEMBER 1992
PER \$10,000 NOTE: A\$150.48
PER A\$5,000 NOTE: A\$75.24

BANK OF TOKYO AUSTRALIA LIMITED
AGENT BANK

NOTICE OF INTEREST RATE
To the Holders of
International Bank for
Reconstruction and
Development
Undated U.S. Dollar Floating Rate Notes
of 1993

In accordance with the provisions of the Notes, notice is hereby given that the above Notes will bear interest for the period from June 15, 1992 to and including September 14, 1992 at a rate per annum of 4.245121962% payable on September 15, 1992 in the amount of \$108.49 in respect of each \$10,000 principal amount of Notes and \$2,712.16 in respect of each \$250,000 principal amount of Notes.

MORGAN GUARANTY TRUST COMPANY
of New York, Fiscal Agent
Dated: June 19, 1992

OMRON CORPORATION

Notice is hereby given to the holders of the Fifty-Fifth Annual Meeting of Shareholders to be held at the Head Office of the Company located at Kawasaki Kanagawa, Japan, on 15.05.92 at 10.00 a.m. on Friday June 26th 1992.

Matters to be resolved: Proposal for appropriation of retained earnings of 50th Fiscal Year and to declare cash dividend of Yen 6.00 per share.

In accordance with Clause 18 of the Conditions, holders of BEARER DEPOSITARY RECEIPTS wishing to instruct the Depository to exercise voting rights in respect of the shares represented by their Receipts, are notified that they must bring their Receipts with one of the following to the 50th Annual Meeting:

1. HILL SAMUEL BANK LIMITED, 45 Beach Street, London, EC2P 2LX (Where lodgement forms are available).

2. KREDEITBANK SA, LUXEMBOURG, 43 Boulevard Royal, Luxembourg.

3. BANK OF TOKYO LIMITED, 4-8 Fintona Avenue, Paris 75003, France.

4. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

5. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

6. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

7. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

8. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

9. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

10. BANK OF TOKYO LIMITED, 45 Beach Street, London, EC2P 2LX.

SEOUL TRUST

International Depositary Receipts evidencing Beneficial Certificates representing 1,000 Units (and 100 units)

Notice is hereby given to the Unitholders that DAHEAN INVESTMENT TRUST declared a distribution of Won 444,000 per DFR of 1,000 Units (Won 444 per DFR of 100 Units) payable on or after July 8, 1992 in the Republic of Korea as well as the possibility, until August 20, 1992 of reinvesting in new DFRs of 100 Units all or part of the distribution to which holders are entitled.

1. DIVIDEND PAYMENT
Payments of coupon no 7 of the International Depositary Receipts will be made on or after July 8, 1992 in US Dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

- Brussels, 35, Avenue des Arts
- New York, 30, West Broadway
- London, 1, Angel Court
- Frankfurt, 44-45, Meisner Landstrasse
- Zurich, 55, Stockenstrasse

The amount of dollars shall be the net proceeds of the sale of the Won amount to the Korean exchange bank in the Republic of Korea at the current selling rate on the day of remittance by the manager, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depository.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depository or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of incorporation or a copy of the passport for individuals. These documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 26.375 per cent Korean non-resident withholding tax will be retained.

For residents of the United Kingdom, the trust intends to apply for distributing status for each financial year. UK beneficiaries will in most circumstances be liable to tax on the distribution whether reinvested.

If any holder shall fail to request the distribution by the end of October 1992 the unrequested amount of distribution will be sent to the Depository in cash after deduction of 26.375 per cent tax not later than the end of November 1992.

For 5 years, the Depository will keep the amount for delayed distribution requests. The unclaimed money shall return to the trust at the end of 5 years from the end of such accounting period.

2. PROCEDURE FOR REINVESTMENT OF THE DISTRIBUTION
All reinvestment requests in a whole multiple of 100 Units are to be sent no later than August 20, 1992 together with the above mentioned required documents, to one of the following addresses:

- If the DFRs are held in Euroclear: to Euroclear Operations Center, Equities Department, 4 rue de la Régence, 1000 Brussels (telephone number 32 2 519 14 47; telex number 31025)

- If the DFRs are held outside Euroclear: to Morgan Guaranty Trust Company of New York, Securities Department, 35 Avenue des Arts, 1040 Brussels (telephone number 32 2 508 82 15; telex 21782)

The issue price for reinvestment will be the net asset value per unit on August 25, 1992.

In cases where reinvested distributions are not multiples of 100 Units, the Unit holder can request a partial reinvestment and a partial cash distribution.

The reinvestment shall be made on August 23, 1992 and the issue and transfer of DFRs to the persons entitled to reinvestment on September 30, 1992.

Morgan Guaranty Trust Company of New York
Brussels Office

SKANDINAVISKA ENSKILDA BANKEN

US\$330,000,000
SUBORDINATED FLOATING RATE NOTES DUE 2000

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from June 17, 1992 to December 17, 1992 has been fixed at 4.375% per annum.

The interest payable on December 17, 1992 will be US\$11.20 in respect of each Note of US\$5,000.

AGENT BANK
BIL
BANK INTERNATIONALE
LUXEMBOURG

This announcement appears as a matter of record only.

Espace Beaulieu S.A.

Non-Recourse Senior and Mezzanine Debt Facilities of BEF 4,760,000,000

Adviser and Arranger
Citibank, N.A.

Senior Debt Facility provided by
Senior Lead Manager and Facility Agent
ASLK-CGER Bank

Lead Manager
DePfa-Bank Group

Managers
Bayerische Landesbank International S.A.
Crédit Communal de Belgique-Gemeentekrediet van België
Crédit Lyonnais Belgium S.A.
Ippa Bank S.A.

Mezzanine Debt Facility provided by
Citibank, N.A. • ASLK-CGER Bank

To assist in the acquisition of the property, Espace Beaulieu, Brussels, from Codic S.A., for the sum of BEF 5,600,000,000

June 1992

CITIBANK

WEST RAND CONSOLIDATED MINES LIMITED
(Incorporated in the Republic of South Africa)
Company Registration No. 014078606

SECOND CAUTIONARY ANNOUNCEMENT

Shareholders are advised that negotiations which could affect the share price are still in progress and, until a further announcement is made, shareholders are advised to exercise caution in dealing in their shares.

Johannesburg
19 June 1992

ibb
Italian International Bank Plc
US\$ 45,000,000
Subordinated Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from June 18, 1992 to December 18, 1992, the Notes will carry an interest rate of 4 1/4% per annum and the coupon amount per US\$ 10,000 will be US\$ 219.22.

The Agent Bank
Kreditbank
Luxembourg

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INTERNATIONAL COMPANIES AND FINANCE

O&Y unveils revised plan for restructuring of debt

By Bernard Simon in Toronto

OLYMPIA & York yesterday outlined a new debt-restructuring proposal which would include extending repayments on most of its debt for five years. It would also mean disposing of some of its Canadian properties and other investments.

The company reaffirmed an earlier plan to convert some of its C\$13.5bn (US\$11.2bn) debt into equity. However, it continues to insist that control remain with its existing owners, Toronto's Reichmann family.

The new proposals, which are still being discussed with key creditors, were contained in a progress report to the Ontario court of justice.

Separately, a group of Canadian banks applied to the court to terminate interest rate swaps with O&Y. The banks argued that the value of the swaps, which are considered an asset, is declining as interest rates fall.

O&Y, however, maintains that it requires the instruments to protect it against adverse interest rate movements.

In its submission, O&Y reiterated the importance of remaining a going concern. It warned that immediate liquidation would result in "significant losses to virtually all groups of creditors". It also said common management of its properties "serves to increase asset values in the aggregate".

The latest restructuring proposals call for loans to be categorised as either convertible debt or non-convertible debt. At the end of the five-year standstill period, convertible debt-holders would have the option of exchanging their claims into common shares.

The company also promised to draw up annual 12-month and 24-month business plans to be approved by an operating committee representing the creditors.

It proposed liquidating marketable securities on an orderly basis, except for certain core holdings, including its stakes in Gulf Canada Resources, newspaper-maker Abitibi-Price, and property developer Trizec.

Meanwhile, O&Y's information officer filed his first monthly report on the ailing

developer's financial condition yesterday, and promised monthly briefings to the company's far-flung creditors.

The report, compiled by Mr Bernard Wilson, a partner at Price Waterhouse, will be made available only to O&Y's creditors and other outsiders this morning.

The reports stem from creditors' efforts to obtain more detailed information since O&Y filed for bankruptcy protection for its Canadian assets on May 14. O&Y handed control of the Canary Wharf project in London's Docklands to administrators two weeks later, but its US buildings remain outside the court order.

The court order covers about two-thirds of O&Y's C\$13.5bn debt. Creditors affected by the Canadian order, including 91 banks and many holders of publicly-traded securities, have been divided into six committees to facilitate negotiations on the restructuring plan which O&Y is now compiling.

Mr Wilson said a PW corporate finance team was also working with O&Y and the creditors "in a proactive manner" on the restructuring plan.

National Semi has strong final quarter

By Martin Dickson in New York

NATIONAL Semiconductor, the Silicon Valley chip manufacturer which has been restructuring itself, yesterday reported sharply higher fourth-quarter net earnings of \$27.5m, up from \$5.6m a year ago.

Mr Gilbert Amelio, president and chief executive, said the figures represented "the best profit performance for semiconductor operations in any quarter in the past five years". Sales totalled \$491.5m, compared with \$444.5m, and earnings per share worked through at 22 cents, against 3 cents.

The quarter included 14 weeks rather than the normal 13. Mr Amelio said that taking this into account, sales and earnings still increased in the fourth quarter, both year to year and compared with the third quarter.

Gross margins achieved the company's goal of 30 per cent, due mainly to cost reductions from the restructuring programme. The results were also helped by an \$11m after-tax gain from patent licensing fees.

The company said business conditions during the quarter showed strong seasonal improvement, with worldwide bookings up substantially over the third quarter and over the previous year's fourth quarter.

Computer peripheral bookings continued to improve and automotive orders showed strong gains over 1991's unusually low levels.

National Semi said that it expected economic trends to improve slightly in the coming fiscal year, "but not enough to offset the normal seasonal patterns in bookings and shipments". It had entered the current quarter with an improved backlog and had not yet seen the normal summer seasonal slowdown.

For the full year, the company reported a net loss of \$120.1m, or \$1.34 a share, on sales of \$1.77bn. This compared with a loss of \$151.4m, or \$1.56, on sales of \$1.7bn in 1991.

Ford, Chrysler 'lowest cost' makers

By Martin Dickson

FORD MOTOR and Chrysler of the US have become the world's lowest-cost car manufacturers, helped by the fact that American vehicle parts manufacturers have a 27 per cent cost advantage over Japanese rivals, claims a US study released yesterday.

The report, by the independent Washington-based Economic Policy Institute, could prove controversial. US analysts agree that Ford and Chrysler have made great advantages over the past few years to narrow the production cost gap with Japanese rivals, but many believe the Japanese, and Toyota in particular, still have a significant edge.

The study, carried out with the help of the highly-regarded Office for the Study of Automotive Transport at the University of Michigan, estimates that the direct cost of producing a small car is \$5,415 at Ford, \$5,841 at Chrysler and \$6,216 at Toyota.

However, the severe problems facing General Motors, the largest US manufacturer, are underlined by the finding that it requires \$7,205 to produce a small car.

The report said one reason for this was that GM relied on outside parts suppliers - more efficient than in-house subsidiaries - for only 30 per cent of its supplies, compared with 50 per cent for Ford and 70 per cent for Chrysler.

GM, which also lags the other two companies in utilisation of its factories, is in the throes of a huge restructuring which involves both plant closures and a rationalisation of

its parts supply network to slash costs. Other analysts said a weakness of this kind of study was that it made comparisons in terms of currencies, which can fluctuate widely over time.

The figures showing Ford and Chrysler on top also assume that all factories work at full capacity, and they do not include pension and healthcare costs, and differences in costs of capital between the two countries.

The study estimates that US plants ran last year at 62 per cent of capacity, compared with 85 per cent for Japan, adding \$800 to \$1,500 to Detroit's costs per car. It also faced a \$600 disadvantage because of the high US cost of pension and healthcare benefits.

When these factors were taken into account, Toyota became the lowest-cost producer, with Ford slipping to second place.

Mr Clyde Prestowitz, president of the policy institute and a critic of Japan's trading practices, argued that Detroit's survival was still threatened by factors beyond its control, and he called for action by Washington to support the industry, including easing its welfare benefits burden.

The study will be regarded as helpful ammunition by the auto parts industry in its campaign to sell more to Japanese assemblers.

The US industry has long argued that it is more efficient than Japanese rivals, but has been kept out of assemblers' plants by the *keiretsu* system of interlocking Japanese corporate ownership.

Ashland Oil warns of reverse

By Karen Zagor in New York

ASHLAND Oil, the Kentucky-based diversified energy company, yesterday predicted a significant drop in third-quarter earnings.

Mr John Hall, chairman and chief executive, said: "Without a marked improvement in refinery margins over the balance of our fiscal year, we will be unable to achieve last year's results for either our fiscal fourth quarter or the year."

"We believe it is prudent to sell some assets in order to maintain our financial flexibility during this difficult period in the industry," he added.

"We have attempted to select

margins and the cost of meeting increased environmental regulations for the disappointing outlook.

Ashland is considering selling its SuperAmerica petrol and convenience stores in Florida and its Arizona highway construction subsidiary. Some smaller assets and parts of other businesses may also be put on the block. The proceeds will be used to cut debt.

Ashland has retained First Boston to advise it on the disposition.

On Wall Street, shares in Ashland eased 4% to \$27 at midday yesterday.

Public offer considered in UPI rescue

MR LEON Charney, a former adviser to the Carter administration who may launch a bid for United Press International, said he was considering a plan to revive the ailing news service through public offerings to subscribers and correspondents. AP-JV reports. Under the plan, UPI would become a co-operative.

Mr Charney, who recently provided \$180,000 to keep UPI operating until June 22, yesterday met in Amsterdam with a representative of the National Postal Lottery, which may pump as much as \$3.5m into UPI under a proposed rescue plan. The foundation raises money through lottery sales.

The Dutch foundation's efforts are being led by Mr Bob Goldner, a former UPI executive, and Mr Julian Isherwood, a UPI journalist based in Copenhagen.

It expects a restructured UPI to expand coverage of environmental and Third World issues.

Mr Charney said an investment by the Dutch foundation, if it materialised, would provide funds to keep the news wire running for an extended period while detailed plans for a public offering could be worked out.

Telephone union to enlarge 2.9% stake in Telmex

By Damien Fraser in Mexico City

THE HEAD of Mexico's union of telephone workers has denied reports his group planned to sell its stake in Telmex, the Mexican telephone utility. Mr Francisco Hernandez Juarez said yesterday the union would instead enlarge its 2.9 per cent holding.

"In the next two months we will be seeking to buy an additional 2 per cent of the company, and are looking for credits to make the purchase," he said.

Telmex shares have fallen sharply over the past week on the rumours. Banacel, which owns Mexico's largest bank, appears ready to make a planned new equity offering.

Foschini at R169m pre-tax for 15 months

By Philip Gawth in Johannesburg

FOSCHINI, the South African clothing, jewellery and accessories retailer, yesterday reported taxable profits of R168.9m (\$46.9m) for the 15 months to March on turnover of R1.15bn.

This compares with pre-tax profits of R148.9m on turnover of R822m for the previous 12 months. Annualised figures for the 15 months are not strictly comparable because they include two calendar first quarters, traditionally periods of low profit.

Net income for the 15 months came to R92.9m against R73.4m for the 12 months. The figure includes a first-time dividend and attributable retained income from

Foschini's 35.3 per cent holding in Oceana Investment Corporation of South Africa. Oceana holds 34.4 per cent of Itam, the UK fashion retailer which it failed to take over last August.

Earnings per share were 216.2 cents for the 15 months, compared with 181.2 cents for the previous year. A scrip dividend of one new share for every 88 held has been declared.

Mr Stanley Lewis, chairman, said profits, which compare favourably with its main competitors, reflected Foschini's strategy of catering to the broad middle market where disposable income was increasing.

The current year had started satisfactorily and he was confident progress would be maintained.

Woolworth steps up European drive

By Karen Zagor

WOOLWORTH, the large US retail group, said yesterday it would accelerate its plans to expand in Europe by opening at least 800 Foot Locker athletic footwear and apparel stores in the next eight years.

The company, whose business ranges from general merchandise stores to specialty chains, has 110 Foot Locker stores in seven European countries, including Belgium, England and Germany. It said it expected to open about 80 new stores by the end of this year.

Woolworth had planned for about 1,000 Foot Locker stores in Europe in the next 10 to 15 years. The company has estimated that these could bring in up to \$2bn in annual sales.

Speaking at a shareholders' meeting in North Carolina Mr Harold Sells, chairman and chief executive, said conditions in the athletic footwear market in Europe were similar to the North American market about 15 years ago. Between 1963 and 1980, Foot Locker sales quadrupled to \$1.5bn, although the rate of growth has slowed since then.

As the US athletic shoe market nears saturation, expansion into untapped markets overseas has long seemed the logical next step. Mr Sells said Foot Locker might also expand into the former eastern bloc countries and the Pacific Rim.

Woolworth's strength as a specialty athletic shoe retailer has been in marked contrast to the recent performance of its more general retailing operations.

At the beginning of this year, Woolworth said it would overhaul its operations by selling or re-deploying 900 poorly performing stores and eliminating 10,000 jobs.

This announcement appears as a matter of record only.



PETROLEOS MEXICANOS

(A Decentralised Public Agency of the United Mexican States)

FF 500,000,000

10³/₄% Notes due 1994

Issue Price 99.85%

BANQUE PARIBAS

BANCO CENTRAL HISPANO

BANCO ESPANOL DE CREDITO-BANESTO

BANCO SANTANDER DE NEGOCIOS

CREDIT COMMERCIAL DE FRANCE

CREDIT SUISSE FIRST BOSTON FRANCE

DEUTSCHE BANK FRANCE SNC

MERRILL LYNCH INTERNATIONAL LIMITED

J.P. MORGAN & CIE. S.A.

OBSA INTERNATIONAL, INC.

SOCIETE GENERALE

SWISS BANK CORPORATION



James Hardie Industries Limited

A.C.N. 000 009 203

James Hardie - Australia, New Zealand, USA - a leader in building products, systems and services.

		Year to 31 March 1992	Year to 31 March 1991	
Sales revenue	\$A million	1,323.8	1,285.9	+4.8%
Earnings before interest and tax (EBIT)	\$A million	92.4	109.0	-15.3%
Profit after tax and minorities	\$A million	55.7	71.6	-22.2%
Abnormal items net of tax and minorities	\$A million	(49.8)	-	
Earnings per share (before abnormality)	cents	15.7	21.0	
Dividends per share	cents	12.0	17.0	

- EBIT for six months to 31 March 1992 up 28 per cent on previous six months.
- Abnormal write-offs reflect review of investment portfolio and non-current assets, including Fibre Cement USA.
- Sales steady in core businesses maintained with larger shares of shrinking markets.
- Balance sheet strengthened and gearing reduced to 26% from 46%.
- Continued investment in R & D and equipment and technology.
- Exports up 38 per cent to \$77 million and increasing.

For further information contact: The Company Secretary,
James Hardie Industries Limited, 65 York Street, Sydney, NSW, 2000, Australia.
Phone (02) 290 5333 Fax: (02) 262 4394

Financial Times
Annual Report Service

On 23 / 24 / 25 / 26 June, the Financial Times will publish its Annual Report Service.

Over the 4 days the annual reports of 80 leading companies will be promoted in the feature. As a free service, FT readers will be invited to request copies.

Don't forget to order your daily copy of the Financial Times to take advantage of this service.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SAKURA BANK
(LUXEMBOURG) S.A.DEM 40,000,000
Bearer Bonds 1990/2000

Notice is hereby given that, in accordance with Condition 3-(2) of the Terms and Conditions, the above-captioned Bonds will be redeemed at their principal amount on July 10, 1992.

Frankfurt am Main, 19th June, 1992

By: SAKURA BANK

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Top Japanese brokers expect return to profits

By Robert Thomson in Tokyo

JAPAN'S leading four brokers reported generally lower profits from their overseas operations last year, adding to the losses they suffered on the Tokyo stock market.

While Nomura Securities was the only one of the quartet to report a consolidated after-tax profit last year, all four brokers optimistically expect a return to profits this year, in spite of the continuing market weakness.

Daiwa Securities, which reported stronger overseas earnings, and Nikko Securities both managed to report consolidated pre-tax profits. Yamachi Securities reported both before and after-tax losses for

the year to the end of March. Nomura, the largest Japanese broker, said the combined pre-tax profit of its overseas subsidiaries fell 58.1 per cent to ¥8.8bn (\$69.23m), leaving a group profit of ¥46.2bn, down 51.2 per cent.

However, the company, as it did for parent profits, predicted a turnaround for the coming year, forecasting a 41 per cent increase in consolidated profit to ¥65bn.

In explaining its 58.4 per cent increase in the earnings at overseas subsidiaries, Daiwa said it had done well in US Treasury bonds and in mortgage-backed securities. But the group was still dominated by the parent's problems at home and reported an 84 per cent

plunge in pre-tax profit to ¥20.3bn.

Nikko reported a 20.5 per cent fall in the earnings of its overseas subsidiaries and an 88.3 per cent fall in group pre-tax profit to ¥8.6bn, while Yamachi announced a 4.6 per cent decline in overseas subsidiaries' profit and a loss of ¥30.5bn, compared with a pre-tax profit of ¥71.6bn in the previous year.

Each of the brokers hoped for a revival of the Tokyo market to produce an upturn in profits this year, but the continuing weakness of the Nikkei average and low turnover is likely to have left them with far worse than expected results for the first quarter, ending this month.

Nippon Mining dips into red as sales fall

By Robert Thomson in Tokyo

NIPPON Mining, the Japanese petroleum refiner and copper company, reported a consolidated pre-tax loss of ¥3.34bn (\$26.25m) and indicated that its acquisition of Gould, a US computer and copper company, had been an unexpected burden.

The loss for the year to end-March followed a profit of ¥14.9bn in the previous period, while the after-tax loss swelled to ¥16.3bn, compared with a profit of ¥5.3bn. Group sales fell 12.7 per cent to ¥1,032.9bn.

Sales have been falling in Japan, but the biggest problem for the Japanese company has been the Illinois-based Gould, which it said had a ¥24.6bn loss because of costs associated with the restructuring of the company.

Gould, purchased in 1988, was intended to be the centrepiece of Nippon Mining's expansion of its overseas operations and its diversification into electronics, but those plans have been compromised by the prolonged slump in the computer and semiconductor markets.

The company admitted that its electronics-related business has been weak and that demand for Gould's copper products has also been less than expected, though it is confident that the liquidation of unprofitable businesses will produce profits this year.

While Nippon Mining's sales were likely to have continued to fall, forecasts for the current year are distorted by a merger with Kyodo Oil, scheduled for December 1. Taking that merger into account, the company is forecasting a pre-tax profit of ¥1.6bn and total sales of ¥1,400bn.

Mr Minoru Nagao, Tokyo Stock Exchange chairman, yesterday called on Japanese companies to raise dividends and lower the minimum trading units of their shares to entice investors back to the stock market, Reuters reports.

Japan enacts financial sector reforms

By Emiko Terazono in Tokyo

BARRIERS between Japan's banking and securities businesses are to be lowered following legislative reform yesterday allowing banks and securities houses to enter each other's businesses.

While banks will not be allowed to enter broking - partly because of strong opposition from the securities industry - the legislative changes symbolise an end to prolonged debate over financial sector reforms.

They come at a tough time

for Japanese financial institutions, following sharp falls in the stock and real estate markets.

While banks are considering establishing securities subsidiaries specialising in underwriting as early as next year, brokers, facing severe downturn in profits, are unlikely to have the financial strength to enter the banking arena.

The reform bills also include the establishment of a financial markets watchdog next month. It is to be headed by Mr Toshio Mizuhara, superintendent public prosecutor of

the Nagoya High Public Prosecutor's Office.

The House of Councillors also passed revisions of the Loan Business Law, which will increase the Finance Ministry's grip on non-bank financial institutions.

Meanwhile, the Japanese Insurance industry has presented an advisory report to the Finance Ministry pressing for deregulation. Deregulation of life and non-life insurance has lagged behind liberalisation in broking and securities.

Insurance companies also

want to enter banking and broking, and are keen to acquire a share of the lucrative underwriting business.

The report also recommends the easing of barriers between life and non-life industries, where both parties can sell accident, illness and nursing insurances.

Proposals for legislative changes are expected to be presented during the ordinary session of parliament in 1994. Although the reforms could be implemented as early as 1995, industry officials are sceptical of an early implementation.

Taiwan loosens grip on China Steel

A \$680m rights issue will leave 76% in state hands, writes Luisetta Mudie

THE second part of the partial privatisation of Taiwan's biggest steel group gets under way this month when local investors have the opportunity to apply for a \$680m issue of shares.

The issue by China Steel reduces the Taiwan government's stake to 76 per cent. It completes a share disposal programme worth more than \$1bn to the government.

In May, 5 per cent of the company was sold to foreign investors in the form of Global Depository Receipts (GDRs).

Other local companies are eager to issue GDRs. President, the privately-owned food group, hopes to sell \$100m of GDRs soon. Asia Cement and Chiah Hsin Cement have also submitted applications.

China Steel, Taiwan's only

integrated steel mill, was founded in 1971. It grew, with US help, into a vast, sprawling plant worth \$5bn and capable of competing in the Japanese market.

Despite the worldwide drop in steel prices, it managed to maintain net margins at 17.4 per cent in 1991. China Steel dominates the local market with a 60 per cent share. It will continue to concentrate on domestic business as demand continues to rise.

The government will retain a controlling stake for at least four years. Privatisation will eventually free China Steel from the onerous process of obtaining parliamentary approval for all big decisions, and bringing new flexibility to financial, personnel and budget management.

Last month, legislators pressured the government into for-bidding China Steel from investing in Taiwan Aerospace, saying the move was too far from the corporation's core business to be justified.

Taiwan Aerospace was to have invested up to \$2bn in McDonnell Douglas, the US aircraft-maker, but it is now doubtful whether the deal will go ahead in its original form.

China Steel is also exploring a joint venture with the Australian steel company BHP to produce coking coal and iron ore, essential raw materials for steel-making.

A planned joint venture to build two new blast furnaces in Malaysia has been shelved indefinitely owing to a lack of

government incentives. However, China Steel says it remains open to negotiations with the Lion Group, its proposed partner.

A fourth blast furnace is planned for the Kaohsiung site, and the company will be expanding its rod and bar production capacity, as well as extending its range of value-added products, such as stainless steel. Mainland China might also be considered as a location for further expansion.

China Steel is already looking ahead to the next share issue. "Maybe if this goes well the government will push out another 20 per cent. From there it would be a small step to moving to a 49 per cent minority government stake," the company said.

Electricorp static at NZ\$407m

By Terry Hall in Wellington

ELECTRICORP, the New Zealand state-owned enterprise embroiled in controversy over a crisis in national electricity supplies, yesterday announced net profits of NZ\$407m (US\$226.1m) for the year to March 31 compared with NZ\$404m a year earlier.

It warned that profits could drop to \$250m in the current year as it is being forced to maximise the use of expensive coal and oil-powered thermal stations due to near-drought conditions in the South Island's lakes used to supply 60 per cent of the country's electricity.

Critics say Electricorp failed

to conserve lake levels in the hope that rains would come, a point the corporation disputes strongly.

Electricorp yesterday signed an agreement under which it will pay Comalco, the Australian aluminium producer, NZ\$10m to close one-third of the capacity at its Bluff aluminium smelter. The deal will allow 170MW of power to be diverted for use elsewhere in New Zealand. Comalco and its Sumitomo owners say the partial closure will cost it more than NZ\$20m.

There is widespread concern in New Zealand at the effect of the electricity shortage on industry which is working hard to conserve power. How-

ever, Mr Jim Bolger, prime minister, has ruled out accepting an official's recommendation that industry go on a four-day working week.

Announcing the latest result, Mr John Fernyhough, Electricorp chairman, said the rate of return on shareholders' funds of 12 per cent was lower than the 12.2 per cent of 1990-91 and was due to delaying power increases and the higher than anticipated fuel costs from December to March due to low hydro-storage levels.

He said extra costs faced by Electricorp this year would be at least \$150m because of the crisis. But he said forecasting profits was difficult due to the hydroelectricity problem.

Sydney exchange may join Globex

THE Sydney Futures Exchange is in advanced talks to link it with the Globex after-hours electronic futures and options exchange, Reuters reports.

Mr Gary Ginter, managing director of Globex, said: "It's down to the final strokes of a draft [letter of intent]."

However, the Sydney exchange is unlikely to play an active role in Globex trading until around mid-1994, because

the optic fibre line used for transmissions is not due to be laid across the Pacific until then.

Globex - a joint venture between the Chicago Mercantile Exchange and the Chicago Board of Trade, developed with Reuters - is in advanced talks with three different sets of potential member-exchanges, including Sydney and four exchanges in New York, Mr

Ginter said. The four exchanges are the New York Futures Exchange, the Cotton Exchange, the Coffee, Sugar and Cocoa Exchange, and the Commodity Exchange.

Fairly advanced talks are taking place with an exchange in Europe, which he declined to name. The Marché à Terme International de France (Matif) has signed as a member and will go live in early 1993.

Banco Central de Venezuela

U.S. \$281,577,500

Floating Rate Bonds due 2005

USD New Money Series B-1P

Banco Central de Venezuela

U.S. \$282,265,000

Floating Rate Bonds due 2005

USD New Money Series B-1P

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from June 15, 1992 to December 15, 1992 the Bonds will carry an Interest Rate of 6% per annum. The interest payable on the relevant interest payment date, December 15, 1992 will be U.S. \$25.42 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A.

Agent Bank

June 15, 1992

The Republic of Venezuela

U.S. \$395,931,500

Floating Rate Bonds due 2005

USD New Money Series A

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from June 15, 1992 to December 15, 1992 the Bonds will carry an Interest Rate of 6% per annum. The interest payable on the relevant interest payment date, December 15, 1992 will be U.S. \$36.05 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A.

Agent Bank

June 15, 1992

The Republic of Venezuela

U.S. \$5,153,850,000

Floating Rate Bonds due 2007

USD Debt Conversion Series DL

In accordance with the provisions of the Bonds, notice is hereby given that for the Interest Period from June 15, 1992 to December 15, 1992 the Bonds will carry an Interest Rate of 6% per annum. The interest payable on the relevant interest payment date, December 15, 1992 will be U.S. \$25.42 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A.

Agent Bank

June 15, 1992

KLOOF GOLD MINING COMPANY LIMITED

("Kloof")

(Registration No. 64/04482/06)

LIBANON GOLD MINING COMPANY LIMITED

("Libanon")

(Registration No. 05/08361/08)

VENTERSPOST GOLD MINING COMPANY LIMITED

("Venterspost")

(Registration No. 05/05632/06)

(All companies incorporated in the Republic of South Africa)

JOINT CAUTIONARY ANNOUNCEMENT

Shareholders of Kloof, Libanon and Venterspost are advised that negotiations are in progress regarding the possible integration of the operations of these companies which, if successfully concluded, may have an impact on the prices of the companies' shares.

Shareholders are therefore advised to exercise caution in their share dealings.

A further announcement will be made in due course.

Registered Office and Head Office

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2001

18 June 1992

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June 1992

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LBG CO.
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has acquired the stock of

SPECO CORPORATION
Springfield, Ohio

The undersigned acted as advisor to SNECMA

DGA International, Inc.
Washington, D.C.

Taiwan Power Company
(Incorporated with limited liability in Taiwan, Republic of China)

US\$100,000,000
Floating Rate Notes Due 1992

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from June 22, 1992 to December 22, 1992 the following information is relevant:

1. Applicable interest rate: 5.25% per annum
2. Interest payable on next interest payment date: US\$266.88 per US\$10,000.00 nominal or US\$6,671.88 per US\$250,000,000 nominal
3. Next interest payment date: December 22, 1992

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Manweb advances to £95m

By Juliet Sychnava

MANWEB, the Chester-based regional electricity company, raised pre-tax profits by 61 per cent from £59.9m to £94.7m in the year to March 31.

Like the other regional electricity companies, Manweb earned most of its bumper profit from price increases in April 1991, which were exceptionally high to compensate for undercharging the year before.

In addition, Manweb said, the comparable profits were depressed by exceptional costs. Excluding these effects, profits would have increased by only 26 per cent.

Earnings per share rose by 60 per cent to 58.7p (36.7p) and by 71 per cent on the pro forma figure of 34.3p. The dividend is raised by 14 per cent to 13.25p for the year, via a final of 12.25p.

(11.2p).

The advance in operating profit to £93.2m (£56.8m) was earned in the core distribution business, which increased its contribution by 83 per cent to £106.1m.

This was despite a 0.75 per cent decrease in units of electricity sold, as recession depressed industrial sales.

The company saved £10.2m in operating costs, mainly by shedding 1,000 jobs, or nearly 18 per cent of its workforce.

In the supply business, however, an unforeseen £11m increase in costs gave a loss of £5.3m, rather than the £6m profit the company had expected.

The retail division lost £1m, about the same as the previous year, and contracting was also loss-making.

Manweb's strong cash flow paid for capital investment of

more than £60m, slightly down on the previous year. Gearing was down from 27.9 per cent to 13.3 per cent, and the return on capital was 19.6 per cent on an historic cost basis.

Continued cost cutting is expected to save between £3m and £4m via about 150-200 more job losses. Both the supply and retail businesses are expected to move into profit, and electricity sales are forecast to grow by about 1 per cent.

COMMENT

Manweb rather disingenuously based its demonstration that its underlying profit growth was only 26 per cent on actual tax and interest figures for the year to March 1991, rather than the pro forma figures which should be the basis of an accurate comparison of the two years. In fact, underlying growth is closer to 35 per cent.

That said, Manweb's defence against the regulator was very sound. It has slashed costs dramatically, and has detailed plans for investment in the core business - capital expenditure is due to rise to maybe £55m next year. The only worry is that a company with a reputation for prudence should have failed - unlike East Midlands and Norweb - to foresee the increase in charges that pushed the supply business into loss. The City will be hoping that it fulfils its hopes of turning this and the retail business around next year.

The company has forecast real dividend growth of 5-7 per cent in the period to 1995, as this year's profits were a one-off. Analysts predict pre-tax profits of £106m-£110m for the year to March 1993, putting the company on a prospective p/e of about 5.1.

FKI profit falls 24% but sales picking up

By Peggy Hollinger

A LONG-awaited business strategy was revealed yesterday at FKI as the electrical engineering company revealed that recession in North America and the UK had sliced 24 per cent off pre-tax profits.

The pre-tax return fell from £40.2m to £30.4m in the year to March 31, on sales 5 per cent down at £739.1m. About 87 per cent of FKI's business is in the UK and North America.

Mr Bob Beeston, the former BTE executive brought in to revive FKI as group managing director, said the company would boost margins through price increases and cost-cutting, rather than chase volume. The aim was to get a 10 per cent return on sales, compared with a current 4 per cent.

Mr Whalley was bullish about the group's prospects. He said there were signs that the US economy - which represents about 40 per cent of FKI profits - was beginning to pick up.

Order intake in four of the group's five businesses - the exception being process control - was between 15 and 30 per cent ahead in the first two months of the current year.

The final dividend is held at 1.3p. Added to the half dividend the total was 2.3p (3.3p). Earnings per share fell from 6.71p to 4.88p.

COMMENT

The addition of Mr Beeston and his BTE cohorts has done much to restore faith in this company. The revival of the US economy promises good rewards, with the hardware business sitting at the front end of the cycle, while President Bush's negotiations with the Japanese are already benefiting the transistor business.

The cost-cutting programme should bring some £5m in savings next year, and help eliminate loss-makers. Forecasts are between £36m and £40m, which on yesterday's price of 77p leaves a p/e of 11 to 13 times. That looks pretty cheap considering the sector average of more than 14 times.

Shanks & McEwan pleases City with 30% rise to £31.1m

By Richard Gaurley

SHANKS & MCEWAN, the waste management company, yesterday reported a 30 per cent increase in profits, after a full year's contribution from Rechem, the hazardous waste company it acquired last year.

The final months of the year were, however, severely hit by recession with volumes of the highest margin wastes particularly affected.

The jump in pre-tax profits from £23.9m to £31.1m on sales 24 per cent higher at £145.8m nevertheless pleased the market, which had been anticipating a poorer performance, and the shares rose 5p to 207p.

Earnings per share fell from 13.2p to 11.9p and the final dividend is maintained at 3.44p, giving a total of 5.7p, up 3.6 per cent on the year.

Mr Peter Runniman, chairman, said that while profit margins had been eroded the longer-term prospects were "extremely encouraging."

Total tonnage handled in the waste division rose by 2 per cent but margins were eroded and its profits contribution fell from £12.65m to £12.55m.

The environmental services division, which includes Rechem, increased tonnage handled by 13 per cent but processing cost rises were not fully recovered and profits rose only 10 per cent to £2.54m.

The technical services, or waste treatment division, increased sales by 18 per cent but profits were only marginally up at £2.85m.

The construction division increased its contribution from £1.72m to £2.67m.

There was also a £3.8m one off increase in debt from the Inland Revenue's request for corporation tax payments to be accelerated.

COMMENT

Shanks & McEwan used to be seen as the Rolls-Royce of a racy industry with equally racy ratings. Then last year

the sector lost some of its glitz, not because its green credentials faded, but because the markets belatedly realised waste volumes and profits were not recession proof. Nevertheless, longer term Shanks is a company that will reap the benefit of increasingly stringent environmental legislation. While the waste treatment division could still do with some bolstering, its landfill sites have relatively exclusive market positions and the Rechem acquisition has brought a vital presence in hazardous waste. But growth will only resume rapidly once the economy begins to move again. Shanks's costs are largely fixed and there is therefore little prospect of further cost cutting to boost earnings dramatically this year. Pre-tax profits are forecast not much higher than this year's £31.1m, giving about 12p of earnings again, and puts Shanks, in the absence of recovery, on a correctly priced 17.3 multiple.

Brent Walker deeper in loss at £387m

By Maggie Urry

MR KEN SCOBIE, chief executive of Brent Walker, said that yesterday's results were not as bad in cash terms as they looked.

Although there was a pre-tax loss of £387.3m (£122.7m), £187.8m of the £235.8m interest charge was converted into term debt. The interest charge reflected the impact of higher interest rates imposed by the banks and a full year of borrowings taken on in 1990.

Also the profits were struck after provisions for the fall in value of properties and other assets of £142.5m (£97.7m).

However, the group has not written down the value of £1.1bn of property assets which are being retained for the long term. These would be worth "significantly" less if they were revalued now but the directors do not expect the fall in value to be permanent.

Group sales were 10 per cent lower at £1.585m and operating profits were down 55 per cent to £88.4m.

After tax of £7.3m (£19.8m) there were extraordinary charges of £15.8m (£31.8m)



Ken Scobie: results not as bad as they looked

division fell from £139.8m to £124.2m and profits from £20m to £13.4m. Within that the Pubmaster chain of pubs held its profits but other businesses weakened.

Mr Scobie said he expected the chain to total 3,000 pubs by the end of this year, and he had a longer-term aim to reach 4,000 or 4,500. Rapid improvements in trade were being seen in pubs which had been refurbished.

Profits from other activities, such as property development, were £1.1m (£34.9m).

The group said its claim for a substantial cut in the price of William Hill, which it bought from Grand Metropolitan in 1989 for £285m, had now gone to an independent expert. Brent Walker has still not paid the final £50m of the purchase price which is accruing interest.

The group is preparing its accounts on a going concern basis. This means that Grand Metropolitan not demanding payment in full of the £50m and interest, and on the group operating within the terms set by its banks in the restructuring.

relating to businesses being sold.

The William Hill betting division suffered a fall in sales from £1.5m to £1.4m, which Mr Scobie said was a remarkably good performance given the chain's bias towards the

south east of England. However, a fall in turnover has a geared effect on operating profits, he said, which fell from £57.1m to £45.4m. William Hill had had a better start to the current year, he said. Sales by the public houses

Bibby raises bid for Finanzauto to £86m

By Peter Bruce in Madrid

J BIBBY & Sons, the UK industrial and agricultural conglomerate owned by Barlow Rand of South Africa, has raised its bid for Finanzauto, the Spanish Caterpillar distributor, to Pta 1,500-a-share in the face of growing doubts that its original Pta 1,300 offer would succeed.

The new price values the Spanish company, at

Pta 15.9bn (£86.2m), but Bibby failed to secure Finanzauto's backing in talks with management on Wednesday.

Finanzauto said yesterday that the offer was a clear improvement and that it would pronounce on it early next week. It is expected that it will drop its opposition - the company has valued its stock at about Pta 1,700 - and adopt a neutral position.

Mr Richard Mansell-Jones, Bibby's chairman, said in Madrid yesterday he would not increase the offer again. For technical reasons, he said, Bibby had to increase the price.

He was "very confident" that the raised bid would be sufficient. "We thought we had an odds-on chance at Pta 1,300 and we feel it is a certainty at Pta 1,500."

The new price would represent a price earnings ratio of 23 on Finanzauto's 1991 consolidated profits.

Heavy buying of Finanzauto stock began before Bibby announced its new offer, pushed the price beyond Pta 1,380 for the first time since the takeover was launched. Bibby has requested an inquiry by the stock market commission into the buying.

Brokers downgrade profit forecast for MFI Furniture

By Maggie Urry

COUNTY NatWest Securities, the stockbroker, has cut its profit forecast for MFI Furniture, the retail group coming to the market next month.

The issue is being handled by County NatWest's merchant banking side, but the securities division is acting independently in writing research.

County NatWest Securities is now forecasting a trading profit of £96m for the year to April 1993, a reduction from an estimate of £100m made before the pathfinder prospectus was issued a week ago. The forecast represents a rise of 17.3 per cent over the £73.3m reported for the 1991-92 financial year.

Despite the reduced forecast, the broker still regards the shares as "one of the more attractive and safer recovery stocks in the sector". It says its

1993 forecast indicates a price of 145p, and advises clients to buy a full weighting in the shares at up to 150p. At that price the market value of the group would be £87.2m.

The pathfinder prospectus indicated that the group's sales were currently flat. This caused the broker to cut its prediction for sales growth in the current financial year from 10 per cent to 6 per cent. In turn that led to the lower trading profit forecast.

County NatWest Securities is forecasting pre-tax profits of £77m, excluding exceptional charges of £26m relating to interest on the group's debt before the flotation and a bonus being paid to management. It also forecasts earnings per share of 8.9p, which would be an increase of 18.7 per cent over the pro-forma figure of 7.5p for 1991-92 shown in the pathfinder prospectus.

Enlarged Stirling more than doubles to £2.44m

By Peter Pearce

STIRLING GROUP, which acquired fellow clothing manufacturer Ritz Design Group for about £19.2m at the end of 1991, more than doubled pre-tax profits to £2.44m in the year to March 31.

The rise, from £1.06m, was struck on turnover 72 per cent ahead at £68.2m. Reasons for the advance, said Mr Peter Sheldon, chairman, were several.

The integration of the Fiona Rose nightwear business, acquired in 1990, with Bentwood's existing nightwear operation, played a part. Also important were improved manufacturing performances in the factories, tight cost controls across the group and the first-time contributions from Fiona Rose, E Gifford, the casualwear distributor acquired in July, and Rita.

Some 70 per cent of both Rita's and Stirling's clothing output was supplied to Marks and Spencer. Before the Rita buy, Stirling had laid off more than 300 of its workforce, and rationalisation of the expanded group had entailed the loss of a further 495 jobs, mainly from the closure of four smaller Bentwood factories.

Some £1.75m had been set aside from reserves to cover the rationalisation costs. The account was now on consolidation and no more job cuts were expected, Mr Sheldon said.

Earnings rose from 2.39p to 3.08p, heavily diluted by the increase of the shares in issue from 37m to 65m after the Rita buy. The proposed final dividend is lifted 15 per cent to 1.15p - especially pleasing for the Rita shareholders who have only been with us three months", said Mr Sheldon - for a total of 1.66p (1.5p).

Lookers halved to £615,000

PRE-TAX profits of Lookers, the Manchester-based motor dealer and agricultural machinery group, were halved, from £1.23m to £615,000, in the half year to end-March. Turnover declined by £19.7m to £154.4m.

Mr Ken Martindale, chairman, said the results of the businesses operated by the group had variously affected the economic difficulties referred to in his last review.

Profits on car sales were reduced against the background of a national market which was down by more than 13 per cent on the previous year and 35 per cent on three years ago, he said. However, profitability of service and parts remained steady.

Results from the caravan business deteriorated slightly, although contract hire profits showed a considerable increase. Car delivery and van bodybuilding also improved. The interest charge fell to £3.14m (£4.3m). Gearing has been cut from 115 per cent to 107 per cent.

Losses per share were 0.9p (2p earnings), while the interim dividend is unchanged at 2p.

Davenport Vernon moves ahead 47%

Davenport Vernon, the Buckinghamshire-based multi-franchised motor group, lifted pre-tax profits by 47 per cent from £547,000 to £806,000 in the six months to March 31.

Turnover rose from £48.9m to £50.8m and there was a 15 per cent improvement in operating profits to £1.25m (£1.12m). In addition, interest charges fell to £480,000 (£577,000).

The interim dividend is held at 1.5p, payable from earnings ahead to 4.1p (2.8p) per share.

Widney reduces losses to £97,000

Widney, the Birmingham-based engineering group, continued its trend of improving results with a reduction of pre-tax losses from £406,000 to £97,000 in the six months to March 31.

Turnover declined slightly from £10m to £9.62m and at the operating level profits improved to £314,000 (£34,000).

At the year ended September 28 1991 operating profits were £429,000 against losses of £687,000 and pre-tax losses fell to £152,000 (£1.62m).

The interest charge for the current six months was reduced to £411,000 (£500,000) and there was an extraordinary charge of £38,000 (nil) related to the costs of an aborted acquisition.

Losses per share were

reduced to 0.33p (0.89p).

GEI Ind still falls short on last time

GEI International achieved progress in the second half, but not enough to match the previous year's result. The pre-tax outcome for the year to March 31 came to £3.12m, compared with £3.57m, on sales little changed at £7.74m.

As in the first half, when profits came to only £511,000, the special steel activities were hit by the UK recession. Steels suffered a loss of £9.95m for the year, compared with profits of £1.3m previously.

Packaging machinery and processing machinery lifted their contributions to £2.3m (£2.84m) and £1.55m (£1.58m) respectively.

Net interest paid rose to £774,000 (£123,000). Earnings declined to 6.7p (9.7p). The final dividend of 4.85p makes an unchanged 7.23p total.

Severn Trent Preliminary Results

For the year ended 31 March 1992

"We have achieved the highest investment programme in the industry the lowest average charge for water and again been the most profitable of the ten privatised water and sewerage companies"

John Bellah, Chairman. 18 June 1992

- Secure water resources
- Highest profit, highest investment, lowest water charge
- Waste management and other non-regulated business developing well

	1992	1991	Increase
TURNOVER	£822m	£627m	31%
OPERATING PROFIT	£261m	£197m	32%
PROFIT BEFORE TAX	£265m	£249m	6.4%
EARNINGS PER SHARE	68.2p	64.5p	5.7%
TOTAL DIVIDEND PER SHARE	19.3p	17.55p	10%

The 1992 results are unaudited. A copy of the Annual Report and Accounts will be posted to shareholders in mid July 1992 and thereafter may be obtained from: The Director of Corporate Communications, Severn Trent plc, 229 Coventry Road, Birmingham B26 3PU



NEWS DIGEST

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COMPANY NEWS: UK

Severn Trent heads the field with £265m

By Angus Foster

SEVERN TRENT, the Birmingham-based water and sewage company, yesterday announced the biggest profits so far for the privatised water sector.

But the company admitted Biffa, the waste management arm acquired last year, would not earn enough to cover its interest charges until next year at the earliest. Severn Trent's shares fell 7p to 375p.

The company reported a 6.4 per cent increase in pre-tax profits to £265m in the year to March 31, up from £249m. The increase came from average price rises of 15.2 per cent, held back by falling interest income as the company invested in improved water and sewage quality.

Turnover increased to £822m (2027m), helped by price rises and an 11-month contribution from Biffa and other non-regulated businesses.

Biffa made annualised operating profits of £12.5m, compared to the £25m interest bill on its £212m acquisition price-tag. Mr John Bellak, chairman, said Biffa would continue to dilute earnings this year because of the recession. But he expressed "no regrets" about the purchase.

Operating profits increased 36 per cent to £265m (£197m). But interest income fell sharply from £51.5m to £4.3m. Capital expenditure increased 48.5 per cent to £585m.

The company went from net cash of £229m to net borrowings of £170m during the year, creating gearing of 9 per cent. Mr Bellak said capital spending has now peaked.

Earnings increased 5.7 per cent to 68.2p (64.5p). The company is recommending a final dividend of 12.5p (11.7p) for a 19.3p (17.55p) total.

At the interim stage, Severn Trent announced a 1.5 per cent increase in pre-tax profits to £137m (£135m) on turnover 26 per cent higher at £395m (£313m).

Debtors increased nearly 60 per cent to £157.5m (£106.2m). About half the increase was due to acquisitions while some customers showed a growing reluctance to pay.

Staff numbers increased by 300 to 7,400. At Biffa, where the emphasis was towards higher margin businesses, staff totals fell 180 to 1,836.

Three other water companies also reported increases yesterday. Pre-tax profits at Essex Water for the 12 months to end-March were £18.2m against £15.7m for

the previous 15 months. Turnover was £51.7m compared with £38.5m. The comparison is not meaningful because of the change of year-end.

The final dividend is 34.3p making a total of 70.9p, payable from earnings per share of 20.9p. The total dividend and earnings for the previous 15 months were 78.3p and 16.9p respectively.

Suffolk Water turned in pre-tax profits of £4.2m from turnover of £14.5m. Again there are no meaningful comparisons because of the change of year-end. Profits for the previous 15 months were \$4m from turnover of £18.3m.

Earnings per share came out at 7.9p and the final dividend is 21.5p for a 29.4p total. Earnings for the previous 15-month period were 7.2p and the total dividend was 27.55p.

While Brockhampton Holdings, parent company of Portsmouth Water, reported a pre-tax profit of £2.85m from turnover of £22m in the year to end-March.

This compares with profits of £2.79m from turnover of £19.7m last time. Earnings per share increased by 22.7 per cent to 21.1p and a final dividend of 3.3p makes a total for the year of 4.5p.

See Lex



John Bellak: no regrets about the purchase of Biffa

BTR sells cables stake to partner for £37m

By Peggy Hollinger

BTR yesterday sold its stake in a joint venture cables business acquired through the takeover of Hawker Siddeley, to partner Delta for £37m cash.

Delta said the purchase of the outstanding 36 per cent minority stake was the "post-script" to the merger in 1988 of the two companies' cable interests.

"We have acquired the whole of Hawker's cable business, without having to pay a premium for it," said Ms Alexandra Bockenhull of Delta. The purchase would push Delta's gearing - which was 13 per cent at the end of 1991 - up slightly.

Pre-tax profit attributable to the minority stake in Delta Crompton Cables last year was £2.7m. Ms Bockenhull said. The net asset value of the minority stake is £34.2m.

For BTR, the £37m should help to cut the group's weighty debt, which last month was reported to represent about 90 per cent of shareholders' funds. Every £25m is estimated to reduce gearing by 1 percentage point.

The sale was sparked by BTR's £1.55bn acquisition of Hawker Siddeley, the UK engineering group, last year. Delta had first option on the Hawker stake in the case of a takeover. An independent valuation set the selling price.

Delta Crompton Cables was subjected to a wide-ranging restructuring following the merger, including closing three of the nine cable sites. "We will now derive 100 per cent of the rationalisation," said Ms Bockenhull.

Delta Crompton Cables makes energy, communication and high performance cables for the industrial and regulated electricity markets.

Oceana Investment net assets rise

Oceana Investment Corporation reported net asset value ahead at 388.9p at March 31 against 317.4p a year earlier.

Oceana lost its listing in September following the failure of its bid for Eram. The total dividend is unchanged at 11p.

Dawson surprises with 15% rise but cautious on upturn

By Angus Foster

DAWSON INTERNATIONAL, the Edinburgh-based textile and clothing group, yesterday announced results which were slightly better than expected and said order books were higher than a year ago.

But the company, which had seen profits decline every year since 1988, remained cautious about an economic upturn in its main UK and US markets. "Recovery will come but it will be slow and very hesitant," said Mr Ronald Miller, chairman.

Dawson reported a 15 per cent increase in pre-tax profits from £26.1m to £30.1m in the year to March 28. The increase was helped by £1.1m of currency gains on the dollar, a £700,000 exceptional profit on an insurance claim and a lower interest charge.

Turnover increased 6.6 per cent to £415m (£389.3m), helped by £12.7m of currency gains. Pringle of Scotland increased volumes 14 per cent although Ballantyne Cashmere saw a 18 per cent decline.

At the interim stage Dawson reported a 6 per cent fall in profits to £16.2m on turnover of £217m (£214m). Mr Miller said the second half improvement was helped by a recovery in cashmere fibre and yarn sales and stabilised cashmere prices.

In the US, a mild winter affected sales of JE Morgan's thermal underwear and volumes declined 8 per cent in the bag.

although the company said market share improved.

Interest charges fell to \$5.54m (\$6.85m) due to reduced working capital, cash generation of £27.9m and falling US interest rates.

Capital expenditure fell from £15.2m to £9.43m while depreciation increased to £12.4m (£11.2m). Net borrowings at the end of the period were halved at £23.9m, against £51.7m, giving gearing of 13.4 per cent compared with 29.6 per cent.

Earnings per share advanced 7.5 per cent to 11.4p (10.6p). The company is recommending an unchanged final dividend of 7.1p to make a maintained total of 9p.

COMMENT

After three years of decline, can Dawson's long-suffering shareholders finally look forward to some growth? Judging by yesterday's 15 per cent rise in the share price to 219p, the answer is yes. Analysts were not only surprised by the profits, admittedly depressed results, but also by the sharp fall in gearing, suggesting costs and working capital are well set for recovery. But profit forecasts for this year of £33m put the shares on more than 17 times. Although acceptable, the rating suggests the market is already factoring in rises in consumer confidence and continued autumn orders which, as the company warned, are by no means in the bag.

Photoprocess cuts LIG profit

By Andrew Bolger

A DROP in photoprocessing results caused London International Group, the consumer products and services company which makes Durex condoms in the UK, to report a dip in pre-tax profits from £17.4m to £16.5m in the year to March 31. LIG said these results reflected a good operating performance in health and personal products but a worse than anticipated downturn in photoprocessing services as a result of the continuing recession.

Overall turnover rose by 7.8 per cent to £386.1m (£369.2m). The group took £22.5m of restructuring costs above the line, in line with the new accountancy draft standard. The restated comparable exceptional figure for the previous year was £21.5m.

LIG's photoprocessing division saw operating profits drop

by more than half to £5.9m (£12.5m) on marginally increased turnover of £118.5m (£117.3m). ColourCare continued to gain market share, but sales were cut by the recession and profits were substantially affected.

ColourCare had seen some volume pick-up since the year-end, but there was little sign that the photoprocessing market was improving.

Traditionally, 60 per cent of photoprocessing volume is in the first half, with almost 40 per cent concentrated in July, August and September, so LIG said it was too early to make any comment on photoprocessing performance for the year.

Health and personal products saw operating profits increase by 16.4 per cent to £42.7m (£37m) on turnover of £278.6m (£247.7m), up by 12.6 per cent.

LIG said the condom business worldwide continued to

grow at an average annual rate of 3 to 3 per cent, and overall the group's brands gained market share.

As planned, Biogel surgeons' gloves came into operating profit in North America and continental Europe. In the US, Biogel had achieved more than 15 per cent of its target market, against 6 per cent last year. Throughout the UK and continental Europe, Biogel continued to increase its market shares.

Following last year's announcement, all primary manufacture of surgeons' gloves had been transferred to the group's new factory in Malaysia. Closure of the UK plant, with the loss of 660 jobs, accounted for £13.4m of the exceptional item.

On the restated basis, earnings per share fell to 8.34p (8.56p), but the final dividend was held at 8.35p, giving a total for the year of 9.69p (9.25p).

Learmonth & Burchett in the black with £0.3m

By Alan Cane

LEARMONTH & Burchett Management Systems (LBMS), a computing services company quoted on the USM and specialising in computer aided systems engineering (CASE), returned to profit for the year ended April 30 1992 after a disastrous 1990-91.

It made pre-tax profits of £303,000 compared with losses of £1.7m the year before. Turnover was up 10 per cent at £21.4m (£19.5m) and earnings per share worked out at 0.7p, compared with 10.5p losses.

No dividend is being recommended. Mr Rainer Burchett, LBMS chairman, said that the company still had £1.5m of borrowings and that it was premature to talk of paying a dividend in 1992 although it could be possible next year. LBMS, established in 1977, is

one of the oldest companies in the CASE area. CASE involves methods and software technologies which make it simpler and more efficient to write computer programmes.

LBMS had a sound business record until two years ago when a combination of heavy spending on research and development, acquisitions that proved difficult to digest, increased competition and the recession resulted in a sharp decline into loss.

Mr Burchett said that the investment in research and development had resulted in new CASE software which had been well received in the market place. In addition cost cutting and restructuring coupled with improved sales and marketing had resulted in a substantial improvement.

The company has a blue chip list of clients and has expanded into the US and Australia.

SFO talks to Jersey police about Richmond Oil

By Peggy Hollinger

THE SERIOUS Fraud Office, the London Stock Exchange and Jersey police met last week to discuss possible irregularities in share dealings of Richmond Oil and Gas, the beleaguered natural resource company which recently announced that creditors had foreclosed on its main remaining asset.

Officials of the two UK regulatory organisations were briefed in Jersey by local authorities, who raided a local accountancy firm under the island's "Investigation of fraud Jersey law 1991".

The SFO is conducting a preliminary investigation into whether a full-scale inquiry will be necessary. The discovery was made when the Jersey fraud office raided the premises of Bryant and Co in April, following a complaint by one of its clients that he could not recover £150,000 given to the company for investment purposes.

The office appeared to be deserted, with dead cigarettes lying in ash trays and jumpers flung across the backs of chairs. However, police collected thousands of files from the premises which have been passed to UK accountants,

Price Waterhouse, for analysis.

The exact current trading status of Bryant and Co is uncertain, local officials said. Detective Inspector Peter Hopper of the Jersey police declined to comment in general terms, but stated that if irregularities were found they would be referred to the regulatory bodies.

Also present in Jersey last week on a separate matter was Mr Herb Deutsch of the New York law firm, Deutsch and Frey. The firm is representing Butte Mining - under new management since last year - in litigation against more than 100 defendants, including Bryant and Co. The case alleges fraud and misrepresentation by former directors, executives and advisers.

Mr David Wilkinson, joint managing director of Richmond, said he had no knowledge of any irregular share dealing in Richmond Oil's flotation. The company's £21m flotation at 106p in July 1989 flopped amid concerns over the valuation of assets against original purchase price. However, in October the share price had begun a steady climb from 63p to 183p by February 1990. The shares, which were 7p last night, hit a high of 173p in the summer of 1990.

Buy-out team plan changes to a vegetarian menu

Peter Pearse on Cranks' move away from the small, brown rock school of wholefood cooking

EVERYONE LOVES a bargain and at the moment receivers across the land have plenty. Does Cranks, the vegetarian restaurant chain recently purchased by a management buy-out, come into that category?

The MBO, put together by Piper Trust, the retail consultancy, has bought eight restaurants/takeaway outlets and the Cranks name - a brand that some would say had passed its sell-by date, even though the healthy eating market is growing.

In many minds Cranks will forever be tarred with a hippy brush or stuck with an image of sandaled, CND-campaigning liberals, proselytising about the virtues of bowls of bran and the evils of meat-eating.

Mr Ian Cheshire and Mr Christopher Curry, the non-vegetarian forces behind the buy-out, hope to nail those prejudices, saying that vegetarians now come from all walks of life and that at some time or other everyone chooses non-meat, unprocessed dishes.

While anxious to preserve the "integrity" of Cranks, they are keen to move away from the small, brown rock school of wholefood cooking - to stodge grains and wheat - to lighter meals using more vegetables.

Overall, they are keen to tap into the consumer's general trend of eating out more, but going for quality. Initially, the main changes will be in the

menu. For example the dough will be reformulated so that instead of being available only in bag form, it can be baked in loaves, and can therefore be sliced.

Piper has been sworn to silence by Stoy Hayward, the receiver, not to reveal the financial size of the package it put together for Cranks.

However, Mr Curry, who runs Piper Retail Fund, the venture side of the MBO, did admit that it was "quite a lot" less than the £1.5m Piper bid in 1988 when Guinness, the then owner, sold it to Bewley's Cafés and Badger Hale, the Irish catering chain and property developer. "We're much happier to have bought it now than then," he says.

Stoy could have got more for the business, he adds, but receivers are keen to dispose of loss-makers as quickly as possible. In fact, there were other contenders, one of which placed a higher bid, though with "theoretical" money. Thanks to its previous bid and to its close knowledge of the business, Piper already had its package sewn up and piped the others.

The close knowledge comes from Mr Curry and Mr Cheshire, his partner from Piper Trust. While Mr Curry learned about Cranks when preparing the 1988 bid, Mr Cheshire's familiarity is more direct, stemming from his time at Guinness, when Cranks was part of the drinks group's portfolio before it reverted to its



Non-vegetarian bosses behind the buy-out - Ian Cheshire (left), with Christopher Curry

core businesses in the wake of the Distillers episode.

A child of its time and endorsed in the late 1960s by The Beatles and other Swinging London luminaries, the health food company rode the crest of its trendiness in the 1970s, but began to fall out of fashion in the 1980s.

Financially it was hit by the now familiar litany of 1980s scourges - too much debt, over-rapid expansion, demand reduced by recession and spiralling rent and rates.

In its most recent year, Cranks' pre-tax losses were £1.4m on sales of about £4.5m. The restaurants broke even

but the company was tipped into receivership, on February 19, by interest costs and losses on the wholesale side - which serviced such companies as P&O, Safeway, Forte (its Welcome Break motorway service stations), and Lloyds.

You can cherry pick when buying from the receiver and so the factory in Islington, London, which supplied food to all the outlets was not bought, though Mr Curry and Mr Cheshire are keen to continue and expand the wholesale side. They point to a 1991 survey which revealed that 12 per cent of the UK population knew the Cranks name for its healthy eating reputation: in the south-east the figure jumped to 26 per cent.

The duo will be forming a joint venture with a third party to license or sub-contract out the food making process and harbour longer-term ambitions to roll out frozen branded food products - "like Bird's Eye's vegetable meals", says Mr Cheshire - across the grocery multiples. In the first year the emphasis will be on gaining wide distribution for a small range; thereafter the variety of dishes will be expanded.

Another big change will be in the way Cranks is managed. Mr Cheshire stresses that there will be a "change of style - it won't be run from the top down".

The Piper Retail venture capital fund, backed by Standard Life and Royal Life, has a stake

of a little over 50 per cent and the balance is split equally between Piper Trust and the middle managers, who previously worked under Cranks' various owners.

These managers will be the operational team and, apart from the incentive of growing the company to increase the value of their investment, they also have the opportunity, in a complex arrangement dependent on profits, to raise their stake from the low 20s to 30 per cent over the next five years.

The whole project is "mostly equity financed with just a bit of debt".

Mr Curry says that only half of Piper's package of "substantially less than £3m" went to acquire Cranks: the other half is to move the unwanted kitchens in the restaurants, for development and expansion of the business.

Franchised restaurants outside the south-east - Mr Cheshire and Mr Curry envisage expanding the chain - will be satellites to a Cranks-owned outlet. Food would be supplied at cost to each franchise and Cranks would take 5 per cent of sales.

As Body Shop prefers, Cranks' name would be on the lease, not the franchisee's. Other changes will be evolutionary. The wicker basket lampshades - a particular hate of Mr Cheshire - will go, but the pine-dominated decor will only be changed when the money becomes available.

KSE'S MARKET INFORMATION DATA ON WORLDWIDE DISPLAY THROUGH REUTERS

The Karachi Stock Exchange's Market Information Display Network (KSE-MIDNET) has been linked with International Investors through Reuters Business Wire Service from June 1, 1992.

Karachi Stock Exchange shares quotation for 309 active companies are now available on more than 200,000 terminals linked with Reuters in 132 countries.

The Exchange already maintains an in-house Computer Network that displays the Exchange's ready board information within its premises.

Reuters has allotted 26 pages of screen display to the Exchange, in the equity service. The first page displays a directory covering various sectors, which is followed by companywise information. The previous day's closing rates and current prices on the floor of the Exchange at any moment of time during trading hours are instantly displayed internationally.

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The FT proposes to publish this survey on September 16 1992.

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RECRUITMENT

JOBS: The double set of mufflers that stop senior executives' eardrums from hearing any surprises

Why big companies are short of new ideas

WHO precisely first coined the phrase, no one the jobs column has ever met could identify. But whoever it was deserves an honoured place in dictionaries of quotations.

For, of all the multitudinous maxims uttered these past 2,500 years on how to survive in an organisational setting, none is more cogent than the phrase in question. It states: *Never surprise a vice-president!*

While transatlantic in idiom — it was apparently coined by somebody in American Telephones and Telegraph — the phrase clearly has universal force. Moreover, the inadvisability of springing surprises applies not only to bosses as high as vice-president or the equivalent, but to many if not most ranked lower down.

So in an attempt to convey the wider scope of the message I've reformulated it in more general terms as one of the Laws of Organisational Stupidity, calling it after Professor Iain Mangham of Bath University's management school who introduced me to the original in the 1970s. In the wider version, which goes under the name Mangham's Muffler, it says: *When communicating to superiors, new news is bad news.*

Since first hearing of the rule,

I've seen it borne out too often for its workings to be any longer a surprise to me. The explanation seems to be that aspiring bosses have a psychological need not only to possess the power to tell others what to do, but to feel they hold it by natural right. Hence they tend to believe deep down that they are endowed with such superior faculties that they are sure to learn of anything worth knowing before it could ever occur to anyone of lesser status.

What has surprised me even after all these years, however, is the strength with which the top-most rankers defend themselves against the possibility of being forced to recognise otherwise.

That revelation comes as a result of my discussion two weeks ago of the problem senior executives' secretaries pose for the growing numbers of displaced managers who now have little chance of re-employment unless they can win the ear of someone empowered to hire them. In the hope of helping to put unused skills back to work, I passed on a couple of hints from a consultant

in New York on how to bypass the secretarial gatekeepers. One such hint was to dodge round their blocking question — *What's it about, please?* — by misplacing the word "not" in your answer.

To illustrate: if you're out of work after a time in Germany and aim to persuade some chief who's a total stranger to hire you as a representative there, the reply to the gatekeeper might be: "We've met before but not for some time. I've been working in Germany, and there's a business opportunity I know he would be interested in." Then, on getting through to the chief and being asked how you know each other, you say: "Sorry? I didn't say we met before. But for some time I've been working in Germany..."

Readers' responses, often vehement as well as extensive, have come from several angles. For example, half a dozen outplacement consultants and four of the executive-selection variety have accused me of advocating the seriously dishonest practice of approaching employers with

bogus propositions. That's a bit steep. The article a fortnight ago expressly stated: "...it is of course imperative to have done your homework on the target company and executive, and the idea you're proposing, as well as ensuring that every checkable fact you voice is true."

In other words, any proposals made must be genuine. Even so, given the numbers unemployed and the barriers in the way of their recovery, I see no cardinal sin in practising mild deception to get honest proposals a serious hearing. Nor am I alone in doing so. In the circumstances, even the stern philosopher Hobbes would have forgiven it.

On reflection, however, I agree that the reproving out-placers are right to say that "networking" is a more promising as well as less deceitful method. It is defined by one of them as: "making new contacts via referrals from existing contacts and genuinely asking for advice and NOT for a job. The aim of a network meeting is referral to more contacts. Keeping the network 'alive' over a period of

weeks results in a whole series of people you do not now know positively thinking of you when they might hear of a job."

Nevertheless my conversion to networking is not because of its philosophical merits, but strictly on practical grounds. The reason lies in the dozen responses from readers who actually work in the aforesaid gatekeeping capacity. For their letters have persuaded me that such dodges as I passed on just wouldn't wash with the consummate professionals who work as senior secretaries.

Hence my belated realisation that the stopping power of senior managers' mufflers is greater than I had previously supposed. They are equipped with not one, but two of them: the classical Mangham sort worn by the chiefs themselves, and an outlying filter represented by their secretaries. As one of some typically remarks: "I can say with hand on heart that no-one will get through to my boss on the telephone if they will not explain to me exactly why they wish to speak to him — and, only then, provided he tells

me he wishes to take the call."

The only hope of penetrating to the chief, several of the gatekeepers say, is essentially akin to networking. In the words of the same correspondent, it is "waking up to the fact that few top executives will take calls unless they are very thoroughly screened and perceived to be mutually constructive, and enlisting the secretary's help and advice as to how to get their message across or who would be the right person to speak to about their idea/application. At this level, the secretary would certainly be one of the best people to have on your side when chasing those elusive job openings."

To which I can only nod in agreement. But that is not to say the better pay-off of networking augurs well for the economic future. For it is a method that clearly best serves folk good at favourably impressing influential others — which need not be, and often isn't, the same as having something productive to offer a company. Indeed networking was summed up in a maxim long

before "Never surprise a vice-president": to wit, *It's not what you know, but who you know.*

Still, that being the case, it may help to explain why so many big companies at least, have so few good new ideas.

NOW to a couple of City of London jobs being offered by separate headhunters. Both promise to respect applicants' requests not to be named to their client at this stage.

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ACCOUNTANCY COLUMN

Mid-size marriage of convenience may set trend

By Andrew Jack

A RATHER unusual volume sits among the untouched tomes on international tax treaties and accounting for leases on the Financial Times bookshelves. In the last few days, with the announcement of a merger between Stoy Hayward and Finnie, two mid-sized firms, its spine has lost the normal covering of dust.

The casual reader is in for a surprise when browsing through the book for the first time. Inside the glossy red cover, emblazoned with favourable reviewers' comments, the contents leave something to be desired, being nothing but blank white pages. Only on re-reading the title, does it click: for this is "The Stoy Hayward Guide to Mergers in the Accountancy Profession", published as a joke in 1989, when many rival firms were in the midst of intensive discussions on coming together.

Stoy, in contrast, had remained resolutely independent and aloof from the trend since its previous "merger" back in 1974. Even then, it only took in a two-partner practice. Over the next 15 years it resolutely refused to entertain any further such activity.

For aficionados of the new Stoy merger now underway, there are several additional ironic twists to the firm's book beyond the title and its lack of content. Its authors are John Piper - one of the partners brought in with his practice in 1974 - and Adrian Martin, the current managing partner, who was central to the merger with Finnie this month.

One of the comments from a "reviewer" on the back page - who says, "We are proud to have been involved as sponsors for the research

material in this excellent book" - is by Douglas Lambias, a consultant and professional matchmaker among accountants, who helped bring the two firms together over the last few months.

But what Finnie's and Stoy's partners might be more nervous about today is the description of the contents printed inside the dust jacket of the book. The "guide", it says, tongue firmly in cheek, demonstrates how to reach the right decision "without being confused by non-important factors such as money". Mergers, it argues, are being driven by rising rents and an anticipated shortage of good partners. They allow successful firms to achieve key features of their strategic plans. But the pitfalls are usually only discovered once they are perpetrated.

The two sets of partners might be slightly uneasy at that particular jibe, but they cannot disagree entirely with its analysis.

It would be too easy to dismiss the Stoy-Finnie link-up as another merger on uncomfortable terms. So many others in the last few years have been driven - despite the rhetoric of "strategic reasons" - by the inherent weaknesses of at least one of the two firms involved, saddled perhaps with expensive potential litigation, high debts or a declining practice area.

Now, with the impact of the recession far deeper, and competition between firms for clients so intense, for Stoy to merge is surely a way to boost its income. Finnie has several tempting quoted clients it could take on board, including the Body Shop. Equally, as critics have not been slow to point out, Stoy gained a reputation as something of a white-kid firm dur-

ing the 1980s, becoming auditors to several high-profile companies now in disgrace, such as the Levitt Group and Polly Peck International.

Perhaps the merger gives the firm a chance to redeem itself with a broader portfolio of safer clients. Several factors veer away from such a purely negative spin on the merger, however. The most significant is the fact that Finnie approached Stoy, not the other way round. Stoy is believed to have turned down a number of merger

The number of firms of similar size currently offering comparable services is probably unsustainable

approaches over the last decade. Finnie was the only one that ever got to an advanced stage of discussions, and it claims that Stoy was its first choice among three attractive candidates.

That choice only came after a detailed scrutiny, under confidentiality agreements, of documents including the partnership accounts, information on litigation and the technical working papers surrounding some of the more controversial audits.

Similarly, if Stoy only wanted to gain clients, it would have to swallow the extra overheads of additional Finnie professionals, since at least on paper the new, enlarged firm claims there will be no significant job losses. If senior staff are removed in the coming months, that could also jeopardise the relationship with existing clients and risk them moving elsewhere.

In spite of these arguments, it is, of

course, possible that Finnie rather than Stoy needed to merge in order to survive. As the twentieth largest firm by fee income, it is no doubt suffering a squeeze on business, partly generated by aggressive tendering by some of its larger competitors.

All the two firms will say - ambiguously - is that their profits are at about the same level. They do not deny that a larger client base was among the most attractive aspects of the merger. They also state that the combined firm is profitable, with low gearing and a strong balance sheet.

But Mr Adrian Martin also makes a point of stressing that Stoy was attracted by the fact the merger would have little impact on the firm's position as number eight by size. The two firms suggest that their cultures and approaches to the provision of professional services are compatible.

Whatever the truth in these arguments, there does certainly appear to be some strategic logic behind the merger, which was not always so clear in previous examples. Stoy is a London-based partnership, with associates around the country. For several years it has been considering how to expand from its West End office into the south-east. Finnie is essentially a south-eastern practice, which has built up a network of 10 offices in the M25 region around London. Its local strength makes it very attractive as a way for Stoy to expand in the area. At the same time, Stoy recognised a number of strong aspects of Finnie's operations that tied in with its own strengths: in insolvency, property work and corporate finance (including work on the government's Business Expansion Scheme).

Finnie makes no secret of the fact that it was finding it difficult coping with clients with operations outside the south-east. Without the nationwide network it now has, it was forced to refer these clients to independent accountancy practices in other parts of the country. How well the merger will last over time, in terms of both client and staff retention, cannot yet be judged. There has already been modest fall-out. Mr Chris Benbow, former senior partner at Finnie and a man intimately involved in the early discussions, left "to pursue other interests" a few weeks ago. Finnie's Beverley office also remains outside the new network of associates around the UK.

What seems certain is that the shake-out of mid-size firms is far from over. While different types of clients have different needs, the number of firms of similar size offering comparable services is probably unsustainable in such a competitive environment.

Whatever the reasons, the number of mergers and acquisitions does not seem likely to diminish. A recent survey by Michael Page, financial recruitment consultants, suggested that a growing proportion of small practices anticipate selling out or merging. Last month, Ernst & Young announced the acquisition of a 12 per cent stake in KPMG, a small strategic consultancy firm. Another merger involving mid-size firms is rumoured to be announced shortly.

The reasons for this activity may all be different, but the trend is the same. In another year partners in Stoy Hayward may still be evaluating the success of the merger. But the pages of a second edition of the Stoy guide in two years' time could be somewhat more detailed.

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A portfolio of innovative products and services, matched by a presence in all the major financial centres, serves to maintain J.P. Morgan's reputation as one of the world's premier banking and securities firms.

Our on-going implementation of a European-wide Audit approach, has created vacancies within the London based Audit team. These offer high calibre individuals the opportunity to take a proactive role in shaping the nature of this integrated pan-European function. Our approach is risk-based and offers a unique insight into the complexities of the various business areas. For each of the products handled by the firm, an in-depth assessment is made and sophisticated control techniques are applied. Working on a wide variety of assignments, you will be exposed to the most critical areas of the business and most of the products that are prevalent in today's markets.

The positions reflect the truly international opportunities which J.P. Morgan can offer to ambitious young accountants. As the department develops, regular travel to the major financial centres of Europe can be expected.

A first or 2:1 degree in any subject, first time passes at the professional exams, creativity and a quick grasp of concepts are crucial. Applicants should be recently qualified (with up to three years' PQE), and have an aptitude to communicate at all levels. A well-rounded personality and a strong desire for results is equally essential. J.P. Morgan is a meritocracy where progress is dictated solely by your abilities, achievements and personal ambitions. In the longer term, career options will exist throughout the Bank's operations.

In addition to an excellent basic salary, benefits include a car allowance, mortgage subsidy, profit sharing bonus scheme and the opportunity to develop an exceptional international business career.

For further information in strict confidence, please contact our advising consultants Brian Hamill or David Craig at the offices of Walker Hamill, on 071-287 6285. Alternatively forward a brief resumé to the London office at 29-30 Kingly Street, London W1R 5LB, quoting ref BH123.

JPMorgan



NEW QUALIFIED ACCOUNTANT
HAMMERSMITH -
£21,000 AAE (+benefits)

Young chartered/certified accountant reqd to carry out the accounts function of an associated company within busy Accounts Dept in long established financial services group; close to Stamford Brook tube. Duties incl. sales ledger, commission payments, management/financial accts and contributing to system enhancements. Applicants must be computer numerate with strong analytical and organisational skills.

Please write with full CV to: D Saxon, CPA plc, 350 King Street, London W6 0RX (No Agencies)

Senior Financial Planner

HOVE

As one of the twelve Regional Electricity Companies, SEEBOARD plc supplies electricity to around 2 million customers in South East England, and is one of the largest businesses in the area.

Following a promotion, the Financial Planning section is now looking to appoint another Senior Financial Planner. This section is responsible for providing financial plans, budgets, forecasts and analysis to Directors and Senior Management, which are vital to the Group's financial strategy and relationships with the City and the industry's regulator.

Reporting to the Head of Financial Planning, Budgets and Forecasts, your main brief will be to contribute to the overall production and documentation of financial plans for Senior Management. You will have direct responsibility for challenging and analysing the activities within SEEBOARD's Trading businesses, which have a turnover approaching £100m.

The opportunity of operating within the electricity industry's regulated environment, whilst responding to the new world of privatisation, will allow you to fully develop your abilities and initiative.

SEEBOARD
Doing a power of good

You should preferably be a qualified Accountant with at least 3 years post-qualification experience in a medium to large Company. You will be able to demonstrate a proven diplomatic but tenacious approach to obtaining information and explanations whilst displaying a high level of numeracy and accuracy, and be able to work as a member of a small, highly committed team. A logical and methodical approach to complex problem solving is essential. PC skills would also be an advantage, especially a working knowledge of Lotus 123, although training will be given where required.

The Company has recently undertaken an extensive Management Review exercise and this post is included as part of this process. Salary will be £30K + and, in addition, we offer an excellent benefits package which will include a company car. The Seeboard Head Office operates a "No-Smoking" policy.

Please apply in writing, enclosing a full CV and stating current salary, to Helen Sutton, Recruitment Officer, SEEBOARD plc, Grand Avenue, Hove, East Sussex BN3 2LS, quoting vacancy number 4668. Closing date for applications is 30 June 1992.

SEEBOARD plc is committed to a policy of Equal Opportunities.



Systems Accountant Network Television

£35k

Network Television, an organisation with a cost base of approximately £760 million, is undergoing a period of rapid structural and systems change.

Central to this is the implementation of new computerised accounting systems on a network of Unix based mini computers having in excess of 1000 linked terminals. To assist in the implementation and subsequent development of this system a high calibre systems accountant is now required.

The successful candidate will have proven systems implementation experience and will almost certainly be a qualified accountant. Strong interpersonal and communication skills are essential, as is sound judgment, and the personal credibility necessary to earn the respect of senior operating management.

Based Television Centre, West London. For further details please contact Julian Eldert, Chief Accountant, Television on 081-748 8000 ext 2188.

For application form please contact (quote ref. 10235/F) EBC Corporate Recruitment Services, PO Box 7000, London W12 7ZY. Tel: 081-748 7000. Minitelcom 081-763 5151.

Application forms together with a current CV should be returned by July 2nd.

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semaine les annonces paraîtront dans les Echos le samedi et dans le Financial Times le mercredi (le vendredi dans l'édition internationale de
Financial Times). Pour de plus amples renseignements, veuillez contacter:
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PRUDENTIAL

Financial Analysis Manager

To £50,000 + Benefits

Central London

Prudential Corporation, one of the world's leading financial services groups, requires a superb analyst for a highly visible role in the corporate head office finance department, with excellent career development potential.

THE POSITION

- ◆ Providing incisive analysis of financial performance, budgets and forecasts of operating divisions.
- ◆ Ad-hoc assignments on acquisitions, divestments, capital appraisal and investor relations.
- ◆ Regular exposure to main board and divisional directors.

QUALIFICATIONS

- ◆ Outstanding graduate accountant, aged 28-33, with superb financial analytical skills and experience, ideally from a large international group.
- ◆ Self-assured, resilient, diplomatic personality with clear presentation skills.
- ◆ Ambitious and ready to work long and hard in a demanding environment.

Please write, enclosing full cv, Ref BU2512
NBS, Bennetts Court, 6 Bennetts Hill,
Birmingham, B2 5ST

NBS SELECTION LTD - a Norman Broadbent International associated company
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Group Finance Director
International Plc

£100,000 Base & Super Incentive Package. London & Travel

Exciting challenges and rewards for a tough, ambitious young finance professional.

THE COMPANY

- ◆ Exciting and successful international company.
- ◆ Developing a global brand for a significant market share.
- ◆ Worldwide turnover c.£100m, growing. Strong presence in key international markets.
- ◆ Recently strengthened board with aggressive expansion strategy.

THE POSITION

- ◆ Main board with full responsibility for all financial management issues.
- ◆ Key tasks are to develop financial reporting systems, taxation structures and improve efficiency.

- ◆ Close involvement in strategic development.

QUALIFICATIONS

- ◆ Resilient and commercial ACA with detailed knowledge of international taxation. Ideally aged mid 30s.
- ◆ Broadly based senior management experience in an international branded goods business.
- ◆ Strategic thinker with exceptional drive, tenacity, technical ability and communication skills.

Please reply in writing, enclosing full cv,
Reference L2411FT
54 Jermya Street, London, SW1Y 6LX

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Assistant Controller

U.S. multinational
Konzern

Frankfurt/Main

DM marktgerechtes
Gehalt

Unser Auftraggeber ist ein weltweit operierendes und führendes Unternehmen im Dienstleistungssektor. Qualität und Service sind Leitsätze, welche die erfolgreiche Strategie des Unternehmens bestimmen. Einem wirkungsvollen Controlling kommt eine Schlüsselrolle bei der Absicherung des geschäftlichen Erfolgs zu. Zur Unterstützung des Financial Controllers der deutschen Tochterfirma, mit Sitz in Frankfurt am Main, suchen wir eine Dame oder einen Herrn als Assistant Controller mit der Möglichkeit, innerhalb eines Zeitraumes von 2-3 Jahren dessen Nachfolge anzutreten.

Tätigkeitsschwerpunkte des Stelleninhabers werden die Leitung des betrieblichen Rechnungswesens, die Verantwortung für den Treasury-Bereich sowie die Weiterentwicklung von Accounting-Systemen sein. Außerdem gehören die Analyse betrieblicher Daten und die Leitung des Bereiches "Steuern" zu den Aufgaben des zukünftigen Assistant Controllers.

Der ideale Kandidat ist zwischen Anfang und Mitte 30, hat die deutsche Staatsangehörigkeit und hat ein Studium der Betriebswirtschaftslehre o.ä. absolviert. Er ist geprüfter Bilanzbuchhalter oder "Qualified Accountant" und hat bereits Berufserfahrung, vorzugsweise im Dienstleistungsbereich, zu bieten. Dabei ist ihm ein Mainframe Accounting-Umfeld nicht fremd. Erwünscht ist auch praktische Erfahrung im "Treasury-Bereich" und auf dem Gebiet der Buchführung und Bilanzierung. Sehr gute Kenntnisse der relevanten deutschen steuerrechtlichen Vorschriften sind zwingend erforderlich. Die Tagesarbeit ist geprägt durch die Notwendigkeit zur Teamarbeit und durch straffe Zeitplanung. Sehr gute Englischkenntnisse und PC-Erfahrung runden die von uns gewünschten Voraussetzungen ab.

For further information in strict confidence contact Robert Walker or Brian Hamill on 071-287 6285 (evenings and weekends 0903 894649). Alternatively, forward a brief resume to our London office quoting Ref: RW 1254.

WALKER HAMILL
Financial Recruitment Consultants

29-30 Kingly Street Tel: 071 287 6285
London W1R 5LB Fax: 071 287 6270

De La Rue plc

Taxation Manager

London to £45,000 + Car + Benefits

De La Rue is a leading commercial printer of bank notes and securities and is a leader in the supply of equipment for electronic transfer of payments.

It is a British company, earning 90% of its £415 million turnover from overseas. Through its reputation for quality and customer service, the group has achieved a record with a 30% jump in the pre-tax profit and growth of 18% in earnings per share.

A vacancy has arisen for a Taxation Manager of Taxation which encompasses all reporting, planning, VAT and overseas aspects of will work closely with other tax planning departments to co-ordinate tax planning. This key position requires a 'hands-on' approach to planning tax structures for acquisitions and reorganizations.

Candidates capable of assuming such a role will be Chartered Accountants, probably aged 30-35 with between five and seven years experience, at least two of which will be in a commercial environment.

Opportunities exist for career development to a senior level both within taxation and in other related financial disciplines. The individual should possess excellent interpersonal skills, self-motivation, commercial acumen and have the presence to interface effectively with key members of the worldwide group. The role will involve between 20-35 days international travel per year.

Interested applicants should write to Chris Nelson, Manager, Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LR, or telephone him on 071 831 2000.

Michael Page Taxation

Specialists in Taxation Recruitment
London Bristol Windsor St Albans Loughborough Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Fuji Seal Europe

Four years ago Fuji Seal established its European headquarters in the UK and now dominates its market sector. The company is privately owned with a long and successful record of international achievement, pioneering the development of shrink sleeve labels and tamper-evident caps. Its success as market leader is directly related to its massive investment in new technology and its progressive marketing philosophy.

Financial Controller (Director potential)

Kent Based

circa \$40,000 + performance bonus + car

Reporting to the Managing Director, the person appointed will be responsible for all the financial management activities of the European operation, with an emphasis on ensuring that strong systems and controls are developed as the business further penetrates the European market. We need to appoint a person who has a hands-on approach to daily, weekly and monthly accounting, who is meticulous with detail and able to ensure the effective communication of performance to the Japanese headquarters. Accurate and timely financial reports are essential and the successful candidate must have strong skills in identifying needs and

Implementing new computer-based control systems.

Candidates, aged around 38 - 45, must be qualified accountants with considerable experience at senior level within a major manufacturing environment. It is particularly important that the successful candidate has the ability to win the trust of senior executives, both within the European operation and in the headquarters in Japan and an appreciation of Japanese business practice and culture would be a major advantage. A second European language would be extremely useful.

Brief but comprehensive career and personal details should be sent to Gerry Cassell, Personnel Advisor to Fuji Seal, New Appointments Group, Personnel and Selection Consultants, The NAG Business Centre, Bell House, Bell Road, Sittingbourne, Kent, ME10 4DE. Telephone: (01795) 424387.

New Appointments Group

Financial Controller

Middlesex c £35,000 + FX Car + Benefits

Client is a leading UK service company. Recent growth of the business has led to the establishment of regional business units and they are now seeking to appoint a Financial Controller for their southern region which has a turnover of £20m. The job holder will report to the Regional Director and will have a functional reporting relationship with the Company Finance Director.

The primary functions will include:

- Establishing a successful and dynamic accounting team.
- Responsibility for the financial and management accounting function in the region.
- Ensuring the timely production of relevant management information.
- Financial appraisal of contracts.
- Membership of the regional management team responsible for the strategic management of the region.

The successful candidate will be expected to make a positive contribution to the profitability of the business.

Applications are invited from qualified accountants preferably with industrial experience. Establishing credibility with senior management colleagues together with the proven ability to manage qualified staff will be fundamental requirements of the role. Exposure to multi-user computer systems is a prerequisite whilst previous experience of contract accounting is desirable.

Interested candidates should send their curriculum vitae to Anne Wilkie ACA, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berks SL4 6BW. Please quote reference 49471.

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Loughborough Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

SENIOR ACCOUNTANCY ROLE

ONE OVERALL GOAL - THE INNOVATIVE MANAGEMENT OF CHANGE

At Haringey, there's nothing unusual in the legislation-led change that we're having to respond to. It's the nature of the response that's distinctive - it's imaginative, radical, totally professional. And already it's proving that we can manage our resources to provide a high quality of service to the residents of this culturally diverse area of the capital.

If you have the ideas, the professional skills and the commitment to make a real contribution to this development process, we'd like to hear from you.

Group Accountant - Treasury Management and Capital

to £30K plus free leased car

Your task will be to lead and manage the team that's responsible for such strategically critical areas as loans, investments and cash flow, as well as the efficient administration of our pension fund. But your greatest challenge will be to bring new and creative thinking to our capital financing strategy, and to successfully implement our new capital accounting procedures.

You'll need a CIMA qualification or equivalent, and enough relevant experience to enable you to make an immediate contribution.

In this role, our new emphasis on staff mobility increases your chances of tackling new and entirely different professional challenges as your career in Haringey develops. Therefore the ability to adapt to change is essential.

And taking of mobility, our generous relocation package smooths your move to our part of London with its excellent transport and shopping facilities, while generous leave entitlement and a range of other benefits will contribute to your - and your family's - quality of life.

We are particularly interested in those who can bring an innovative approach to this work, plus the skill to manage in a multi-racial and urban environment during this period of continued radical change.

For an information pack and application form, please contact the Finance Service Personnel Section, Alexandra House, 10 Station Road, London W22 4TR. Telephone: 081-883 3010 (24-hour answering service). When applying, please quote reference number 014.

Closing date: 2nd July 1992.

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FINANCIAL
Talent & Business

Financial Controller
Director Designate

c£30,000 + bonus + car + excellent benefits

Cheshire

The Shandon group of companies is a major force in international healthcare markets, producing medical laboratory equipment for sale in over 100 countries and with a turnover of £40m this year. We now wish to appoint a Financial Controller for our UK company.

Reporting to the Managing Director, you will have full responsibility for the whole financial operation and the development of the Accounts Department. This will involve consolidation of group accounts, achieving cash flow targets, producing annual budgets, generating financial reports, and developing management information systems.

Providing accurate analyses of historical and predictive fiscal data, your assessment of potential product and business trends will be crucial to our future growth, as will your evaluation of

potential acquisitions. Equally important is your role in assisting line managers meet their budget objectives by providing financial guidance and professional advice.

A fully qualified accountant (C.I.M.A.), ideally familiar with Activity Based Costing, Cellular Manufacturing and T.O.M., you will have significant practical experience in a manufacturing environment. The ability to present financial information in a clear and meaningful manner would be a distinct advantage, together with man-management and interpersonal skills.

In addition to an attractive remuneration package we will finance relocation to the Cheshire area.

Please write with full details to: Allan Bush, Personnel Director, Shandon Scientific Ltd, Chadwick Road, Astmoor, Runcorn, Cheshire WA7 1PR.

SHANDON

FINANCIAL DIRECTOR

NORTH OF ENGLAND

**£40,000 + Car
Bonus + Other**

THE COMPANY

- Manufacturing industrial products with £50m turnover into international markets.
- High quality branded products with established market presence.
- Part of major international group.

THE ROLE

- Key member of the Management Team, ensuring continuing improvement in profitability and tight control of working capital.
- Responsible for the financial and management accounting function.
- Make a significant contribution towards development of management information systems.

THE PERSON

- Qualified accountant, ideally aged between 32 and 40, with experience of manufacturing and sophisticated reporting systems.
- Proven hands on style, team manager and team player.
- Good interpersonal skills, commitment and commercial acumen.
- Excellent career prospects within this UK group, with both financial and general management opportunities.

Please write enclosing full curriculum vitae quoting ref: 101 to:
Nigel Hopkins FCA, London House,
53-54 Haymarket, London SW1Y 4RP
Tel: 071-839 4572 Fax: 071-925 2336

NIGEL HOPKINS
ASSOCIATES

FINANCIAL & TREASURY SELECTION

FINANCE DIRECTOR

North London

circa £45,000 plus benefits

An outstanding opportunity has arisen to join a subsidiary Board of a highly successful housing developer who will achieve a full market listing in 1992. Good technical accounting skills will not be enough for this vital appointment.

Reporting to the Group Finance Director, the successful candidate will be responsible for all the usual computer based statutory and management accounting requirements, via a well qualified team. The key to success in this position will be the ability to operate effectively and very positively at subsidiary and main Board level on both operational and strategic issues.

Applications are invited from qualified accountants, likely age

range 35 to 45, who can demonstrate the necessary communication skills coupled with a successful career to date within a fast moving, consumer sales oriented environment.

Success will bring its own rewards and in order to encourage appropriate candidates to apply, the initial remuneration package is flexible and will include all the usual executive benefits as well as the opportunity to participate in the flotation.

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29 Pall Mall, London SW1Y 5LP
Telephone: 071-381 0336
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In the first instance,
please write or fax a full
curriculum vitae, enclosing
a daytime telephone number,
quoting reference 389
to Andrew Sales FCA,
Director.

Director of Finance

Jersey

c. £42,000 + car & benefits

Our client is the Jersey subsidiary of a major U.K. based international banking group. Its main business lines cover several offshore locations and include banking, treasury, trust and fund administration and global custody.

The Company is looking to recruit a senior finance specialist to join the executive management team. The role involves leading a growing and capable team in developing and controlling the financial aspects of the Offshore strategy at a time of real change.

Preferred candidates will be between 35 and 45, professionally qualified, with proven management experience outside the profession, ideally in the financial services sector. Good interpersonal skills and familiarity with computer-based MI are essential features of the position.

Candidates must also have Jersey residential qualifications.

The attractive compensation package includes a car, and benefits normally associated with a large banking group. Relocation assistance will be provided.

This is a challenging, exciting and rewarding position. Please write in confidence to Stewart Walker at the address below.

ERNST & YOUNG

Chartered Accountants
P.O. Box 611
Le Cilaus Chambers
54 Bath Street
St Helier
Jersey JE4 5YD

FINANCIAL DIRECTOR

MILTON KEYNES

C £35K + Car

This company is a successful and fast growing autonomous subsidiary of a UK PLC in the Print and Packaging industry providing a high level of quality and service to customers. Due to promotion a commercially orientated accountant is sought to contribute significantly to the company's future direction.

Applicants should be Chartered Accountants with previous experience in a demanding industrial or commercial environment. Detailed knowledge of systems and spreadsheet applications is highly desirable. The ability to motivate and communicate is essential.

Please write enclosing a full CV to:
Box A1877,
Financial Times,
One Southwark Bridge,
London SE1 9HL.

The Financial Times will be publishing the final examination results of the candidates that have qualified to join the Fellowship of the Institute of Actuaries on Friday 10th July 1992.

To advertise career opportunities in the insurance and pension industries please call
Richard Jones on 071-873-3460

Portfolio

**Project Accountant
London £31,000**

* Leisure Sector
* Fast Growth Business

Recently qualified accountant with 2/3 years commercial experience is required to handle major aspects of group financial planning and reporting. Staff management experience is essential, as is a high level of computer awareness (mainframes and Lotus).

Please contact Pippa Curtis, quoting reference FT18692/A.

**Finance Director
Home Counties
Circa £40,000 + Car**

* International Group
* Commercial Firm

A pro active finance person with overseas experience and a Bluechip company background is needed by this expanding company. The role involves reviewing the company's business plans and systems, and leading the development of the group's financial position.

Please contact Deborah Sherry, quoting reference FT18692/B.

**EDP Auditor
Home Counties
£30,000 + Car + Benefits**

* International
* Excellent Prospects

This major manufacturer of foodstuffs is recruiting a computer auditor to work on the company's operational and financial systems. There will be significant travel to other European offices. Likely candidates will be qualified accountants, ideally with IBM mainframe and IBM compatible PC experience.

Please contact Liz Osborne, quoting reference FT18692/C.

**Management Accountant
City £27,000**

* Growth retail bank
* Variety of products

Recently qualified accountant with financial experience either from public practice or in the treasury function.

Please contact Joe Thomas, quoting reference FT18692/D.

**Operational Review
Level Orientated Flexible**

Recently Qualified Accountant
Retail Sector

Excellent opportunity to join a blue chip retail company in a high profile audit role. Candidates must have a proven approach to deal with commercial and senior managers.

Please contact Peter Green, quoting reference FT18692/E.

**Planning Manager
London £30,000 + Car**

* Chip
* Career Opportunities

A major financial organisation requires a qualified accountant with large company background to be responsible for planning, modelling and liaison at a senior level.

Please contact Deborah Sherry, quoting reference FT18692/F.

**Consultancy
London £45,000 + Car**

* Financial Services
* High level input

High calibre, qualified accountant or MBA, with at least 5 years PQE in a non-routine role in financial restructuring, prevention, efficiency and cost reduction. T. given.

Contact Ian T. quoting reference FT18692/G.

Interested candidates should send their CV's to Douglas Lambias Associates, 410 Strand, London WC2R 0NS or fax details to 071 579 4831. Home number is 071 836 9501.

DOUGLAS LAMBIAS

RECRUITMENT CONSULTANTS

Equities Investment

Senior investment manager (41), successfully managing top performing unit trusts (sold off by group) and pension funds, would like to hear from investment companies who may have a suitable position at present.

Economics graduate, strong group investment research, main speciality in U.K. equities but also good knowledge of other western equity markets and business sectors in general.

Write to: Box No A1835, Financial Times, Southwark Bridge, London SE1 9HL.



WHHA works closely with 13 local authorities to provide a wide range of housing initiatives, managing over 1000 units in London. In order to assist with the rapid growth and diversity of the development programme, the association is now seeking to appoint a

Head of Financial Services/ Company Secretary

London NW6

c. £36,000

You will have 3 years post qualification experience and proven managerial ability with the vision to lead the department through a period of growth and innovation. This will include the demonstrable ability to produce the information needed to facilitate and control a multi-million £ development programme.

In return we offer:

- * 25 days leave rising to 30 days with accrued service;
- * 10% contributions to final salary pension scheme;
- * Sick child leave; * Restricted smoking offices;
- * Flexitime.

Professional accountants wishing to work for and promote social housing should phone 071-626 6330 (24hr answerphone) for an application form and information pack; or write to the Personnel Section, WHHA, 2 Grangeway, London NW6 2BW.

Please note that CVs will not be considered.

Applications should reach us by Friday 3rd July (12 midday).

Interview dates: 10th July 1992 - 21st July 1992.

WHHA is working towards Equal Opportunities and welcomes applications from all sections of the community.

WEST HAMPSTEAD

Audit Managers

**WHEN IT COMES TO AUDIT MANAGEMENT,
WE DON'T JUST CLING TO THE TAIL,
WE'RE AT THE LEADING EDGE.**

British Airways, the world's favourite airline, is a world in itself - a huge and diverse operation, encompassing so many different areas of business that it can realistically be described as a microcosm of industry and commerce.

Can you imagine the scope, the challenge, that such an environment offers to a first-time qualified accountant with a few years' experience?

If you can, you will be functioning at both the heart and the edge of the company, conducting audits across the airline's network. The work involves considerable contact with senior management and Directors, and requires a high level of technical, financial and managerial skills, combined with a strong team spirit and mental dexterity necessary to improve the profitability and efficiency of the airline's worldwide business.

You are likely to be part of a team with a major accountancy firm, and be ready to develop your own areas of responsibility in this role before moving on to management positions within the British Airways Group.

In addition to a competitive salary, you can look forward to a generous benefits package, a standard normally associated with a major, progressive employer.

Are you confident that you can meet these challenging standards, write with your CV and salary history and tell us why. To help assess your suitability, in your letter we'd like you to answer the following question: "What kind of special audit problems might you encounter in our business?"

Applications, quoting reference MGS 2205, should be sent to: Melanie Grant-Stevens, Resources Manager, British Airways plc, Meadowbank, PO Box 59, Hounslow TW5 9QX.

BRITISH AIRWAYS

PROFESSIONAL SERVICES DIRECTOR

London, Manchester, Birmingham or Glasgow

The primary function of this Partner level appointment is to take charge of all professional services of the firm, to review them continuously and develop them commercially.

Not a role for a career technocrat, therefore, but for an action oriented Chartered Accountant. The successful candidate may be an ambitious Manager on the threshold of partnership or a more seasoned professional used to "making things happen". From either stable, the task will be to direct & manage the organisation & review process to gain optimum advantage from the collection of skills available both within and outside the 40 practice offices of the firm.

Reporting to the National Managing Partner, strong authoritative advice will be provided working alongside the other National Directors of Finance, Marketing, IT and Administration. Proven expertise in several, but not all, of the 7 professional areas will be required via Human Resources, Training, Taxation, Insolvency, Audit/Accountancy, Compliance and TQM. The compensation package is negotiable and of partnership status. Please send your curriculum vitae with a one page covering letter explaining your vision of how the above can be achieved to Peter Willingham, Managing Director of our Search & Selection Company at 29 Pall Mall, London SW1Y 5LP.

**KIDSONS
IMPEY**

Chartered Accountants

Group Financial Accountant

Weybridge, Surrey

to £30,000

The TT Group is a successful acquisitive group engaged in a wide range of manufacturing activities worldwide with a turnover of £150m. Our success is founded on strong financial controls, a decisive management style and a high degree of autonomy for each individual business unit.

To prepare for the next stage of growth, the Group Finance Director seeks to appoint a group financial accountant to assist with the collection, interpretation and presentation of a wide range of financial information on a timely basis.

As a key member of a small head office team, this wide ranging role will appeal to committed accountants in their late twenties, ACA qualified with some previous experience at group/divisional level within industry. Key attributes will include an energetic and positive attitude and an ability to cope with change within an exciting dynamic group. Career prospects are excellent.

Please reply with full career details to:

M.R. Eke, Group Finance Director,
TT GROUP PLC

Clive House, 12-18 Queens Road,
Weybridge, Surrey KT13 9XB

Handwritten note: *July 1992*

FT LAW REPORTS

P & I case will be heard in UK

THE STANDARD STEAMSHIP OWNERS' PROTECTION AND INDEMNITY ASSOCIATION (BERMUDA) LTD V GANN AND ANOTHER
Queen's Bench Division
(Commercial Court)
Mr Justice Hirst
June 5 1992

AN ENGLISH jurisdiction clause in the rules of a P & I club constitutes an agreement between the club and its members to which the court will give effect unless there is good reason for not keeping the parties to their bargain; and where proceedings are begun in a competing jurisdiction, an English choice of law clause in the club rules is a significant factor in favour of England as the appropriate forum.

Mr Justice Hirst so held when refusing an application by the defendants, Mr Edmund A Gann and Caribbean Marine Services Co Inc (CMS), to set aside Mr Justice Evans's order granting the plaintiff club, the Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Ltd, leave to serve the proceedings on the defendants out of the jurisdiction.

HIS LORDSHIP said that the club was a shipowners' mutual insurance association, which issued and provided insurance on the basis of its rules from year to year.

Its claim, amounting to more than \$1.8m, was for loss and/or damages arising from non-payment of supplementary calls and relief calls.

It submitted those sums were due from the defendants. It alleged they were parties to the insurance policy. The defendants' case was that the parties to the policy were not the defendants, but individual shipowning corporations.

Mr Gann was a US citizen resident in San Diego California. CMS was a Californian company based in San Diego.

Mr Gann was beneficially interested in a number of individual corporations which owned vessels engaged in tuna fishing off the west coast of the US, managed by CMS. The defendants alleged those companies were the assured.

Reference to the "defendants" was without prejudice to that point.

From 1983 onwards the defendants' P & I risk business was insured by the club, following an approach from Lloyd's placing brokers instructed on the defendants' part by San Diego brokers.

From 1987 the club made a number of supplementary calls on members. Also the defendants sold a number of their vessels and as a result the club claimed release calls in respect of the cessations.

The claims were resisted by the defendants on various grounds, including the ground that the insurance was on a fixed premium basis, and that the club was not entitled to require them to meet supplementary or release calls.

It was the defendants' case that in relation to that ground the club was unable to sustain an arguable case sufficient to justify maintenance of the order for service out of the jurisdiction. If they failed on that point, they submitted that San Diego, not London, was the *forum conveniens* [appropriate forum] for the proceedings.

Rule 2(2) of the club rules provided that "these rules and any contract of insurance between the association and an owner shall be governed by and construed in accordance with English law".

Rule 33(1) provided "the owner hereby submits to the jurisdiction of the High Court of Justice in England". Mr Bueno for the defendants submitted that the burden was on the club to persuade the court to reach a tentative conclusion that it had a good arguable case. He was probably right. (See *The Othello* [1991] 2 Lloyd's Rep 108; *Overseas Union Insurance v Incorporated General Insurance*, FT, December 4 1991.)

A telex dated November 17 1983 from the club to the defendants, stated "It is not possible for us to offer owners a fixed premium quote".

The club had demonstrated a good arguable case on the merits at this point.

Mr Bueno contended that the burden, of proof, was on the club to satisfy the court that England was clearly and distinctly the appropriate forum for trial of the action, relying on *Spiliada* [1987] AC 460.

Were it not for the defendants' submission to the jurisdiction, that would be correct. But the authorities plainly

established that the court would give effect to the jurisdiction clause, though still retaining a discretion to grant a stay if the defendants could show strong reasons against holding the parties to their bargain (*Chaparral* [1988] 2 Lloyd's Rep 158; *El Amria* [1981] 2 Lloyd's Rep 119).

Mr Bueno invited the court to disregard or at least to attach very small weight to the jurisdiction clause, and argued it was one-sided.

That submission was unacceptable in relation to a clause drafted in standard form typical of the rules of P & I Clubs generally, where the member was both insurer and insured.

Approximately three months after issue of the writ the two defendants together with all the individual vessel-owning corporations, issued proceedings in San Diego against the club, its management companies, and a number of other defendants including individuals who were executives in various broking firms.

They sought declarations that they were not liable for the supplemental and release calls. Against the club and its managers, they sought damages for fraudulent misrepresentation; and against the brokers, damages for fraudulent or negligent misrepresentation, and for breach of duty.

Mr Bueno submitted that the centre of gravity of the dispute was San Diego. He said the disputes must be looked at as a whole, and it was essential that they should all be tried in one action to avoid the risk of inconsistent decisions.

For that purpose, he submitted that the San Diego action, in which the parties involved in all aspects of the dispute had already been joined, was the appropriate forum.

He submitted that the English choice of law clause should be given little or no weight, since there were no difficult issues of English law which would appropriately be reserved for decision by an English court. He said the main area of dispute would be on issues of fact.

That was not accepted. Serious questions of law would arise as to the relationship of principal, agent and sub-agent *vis-à-vis* the club. Those questions would turn on issues of principle and construction of documents.

Construction of the documentary material was, as the authorities plainly showed (see *The Magnus* [1989] 1 Lloyd's Rep 47, 51), best undertaken by the English courts employing English law canons of construction. If the task were undertaken in San Diego the court, in applying English law, would need to rely on the expert evidence of English lawyers brought to California at considerable expense. That was a serious disadvantage.

The English choice of law clause was a significant consideration in favour of English jurisdiction.

The centre of gravity of the case was in London, not California, because:

(i) On all main issues the crucial point of contact was in London between London brokers and the club. The witnesses relevant to those aspects were in London and the relevant documents would mainly be in London.

(ii) The defendants' claims against third parties, which were by no means all London based, would only arise if the club succeeded in its claim.

(iii) It seemed likely that the number of witnesses for each jurisdiction would be evenly balanced, and that the preponderance of documents would be in London.

The crucial point was the risk of inconsistent decisions, which the court must strive earnestly to avoid (*El Amria*). There should be no difficulty, if the defendants chose to do so, in their joining the US third parties in the English proceedings as necessary and proper parties.

The present action was in being for a considerable period before the defendants launched their San Diego proceedings, and it was their decision to sue in San Diego which created the possibility of a conflict.

Those considerations, coupled with the conclusions that English choice of law and the English centre of gravity strongly favoured proceedings in England, led to the conclusion that the appropriate forum was London.

For the club: Jonathan Gaiman (Richards Butler).

For the defendants: Antonio Bueno QC and Robert Bright (Bill Taylor Dickinson).

Rachel Davies
Barrister

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COMMODITIES AND AGRICULTURE

Rubber growers agree to work towards free market

By Kieran Cooke in Singapore

NATURAL RUBBER producers have agreed for the first time to work towards a new, open market system, with the possibility of international prices being set through a centralised exchange in Singapore.

At the end of a three-day meeting here members of the Association of Natural Rubber Producing Countries agreed to "develop and foster one centralised open market in the rubber producing region". The producers' association, formed in 1970, groups Malaysia, Indonesia, Thailand, Papua New Guinea, Sri Lanka, India and Singapore which between them supply more than 90 per cent of natural rubber.

At present more than 70 per cent of the world natural rubber trade is carried out through direct private party to party deals between plantations or smallholder groups and the main consumer companies, mainly the tyre manufacturers. Producer countries, frustrated by a prolonged period of low prices, had said in the past that the system was unfair and had suggested the formation of a rubber producers' cartel in order to gain higher prices.

Mr Ahmad Farouk, chairman of the Malaysian Rubber Research and Development Board, said what was significant about the Singapore meeting was that consumers' representatives were now

Rubber output in Indonesia, the world's second largest producer, is expected to fall by between 10 and 12 per cent in the first half of 1992 because of poor weather and low prices, a senior industry official said yesterday, reports Reuters from Singapore.

"The government estimated that production will fall 10 per cent during the first semester (January-June) but our own estimate is about 12 per cent," said Mr Aeri Sutan Amik, vice-chairman of the Rubber Association of Indonesia (Gapkindo). He said first half output was forecast to fall by between 60,000 and 72,000 tonnes from the 600,000 tonnes last year. Indonesia's total 1992 output is expected to fall to about 1.1m tonnes from 1.2m tonnes in 1991, he added.

expressing a willingness to work towards a more open rubber trading system.

"What the big tyre companies want more than anything else is security of supply. In the short term they might gain by cheaper, direct deals with certain producers. But they also realise that the there could be supply problems in the years ahead. Some producers, like Malaysia, are either turning to what are considered to be more profitable crops like palm oil or are industrialising fast, with the result that less rubber is being produced. Another problem facing Malaysian rubber producers is a serious shortage of labour," said Mr Farouk.

Malaysia, for many years the world's biggest rubber producer, saw its production last year decline by 3.4 per cent. Thailand is now top of the world rubber production table. Mr Farouk said that there was general agreement at the meeting that the direct trading system had produced consider-

able distortions in the market. "The volume of direct trade reduced liquidity in the market. We are all agreed that natural rubber still has bright prospects in the long term. But we must have a more transparent pricing system," said Mr Farouk.

The meeting here set up a committee to examine how Kuala Lumpur, Bangkok and Jakarta, which have physical markets, could link up with Singapore to develop a proper rubber international futures market. "It is important that the futures market is linked to the producing countries so the cost of production can be adequately reflected in the market price," said Mr Farouk.

The committee will also examine ways of pricing natural rubber as an industrial product, rather than a commodity, on the international market. Mr Farouk said that a final decision on setting up the new market system would probably be taken later this year.

Producers prepare for coffee pact push

By David Blackwell

COFFEE PRODUCING countries will meet tomorrow and Sunday in London to try to tighten up their plans for a new international coffee agreement before meeting consumers next week.

The proposals agreed at a meeting of producers late last month were described by one analyst as "deliberately vague". They envisaged a global export quota of about 62m bags (60 kg each), incorporating selectivity between different types of coffee and shared out between producing countries on the basis of export performance in the free market since the collapse of export quotas in July 1989.

Mr Norberto Osorio, Colombian delegate to the International Coffee Organisation, said yesterday that with prices at 20-year lows there was urgent need for market regulation. "Producers are completely committed - we shall be trying over the weekend to agree concrete proposals to take before the consumers."

Among the problems the producers will be trying to untangle are quota allocation and a viable control system. Colombia, the second biggest coffee producer after Brazil, has been the main driving force behind moves towards a renewed pact. Mr Osorio believes if the political will is there, movement towards a new agreement could be quick. "I think we have already lost a lot of time."

Consumers do not appear to be in as much of a hurry. Mr Lawrence Eagles, analyst with GNI, the London futures broker, points out that the willingness of the US, the biggest consumer, to tolerate an agreement is based solely on the political motive of fighting the Colombian drug war.

It is easy to see they may not agree to such a low overall quota as 62m bags, which is 10m bags below consumption and would force them to draw down their stocks. "We expect the global economy to pick up in 1992 and most commodities are sensitive to change on the demand side," said Mr Alton Gordon, editor of the unit's World Commodity Forecasts.

In the latest edition of the 26 commodities price covered by the EIU, 18 are seen as fetching higher prices in 1992 than this year, when many commodity prices hit new lows because of the recession. In the soft commodities, crops may be badly hit by drought and the ensuing supply problems should support prices, Mr Gordon said. He expected tea, sunflower and soyabean oils prices to do

Grenada hopes to revive nutmeg cartel

Canute James reports on plans to give price support another try

THE WORLD'S two largest nutmeg producers are contemplating the destruction of about 10,000 tonnes of stocks as part of an effort to stiffen the market and improve prices. The destruction of the stocks, held by Grenada and Grenada, will be discussed by both countries in a few weeks when the Grenadians will attempt to interest the Indonesians in the recreation of the nutmeg cartel that collapsed two years ago.

The producers will also attempt to cut commodity brokers out of the industry, and try to market directly to consumers. "The stocks which both countries have are a liability and not an asset, and they are depressing prices," said Mr Denis Noel, Grenada's junior minister of foreign affairs. "We will consider using the strategy of major coffee producers, which is to destroy some of the stocks. But any destruction will have to be done jointly."

Indonesia produces 75 per cent of the world's nutmeg and Grenada 23 per cent. World production is about 12,000 tonnes a year at present, while annual demand is for only 9,000 tonnes, according to Mr Noel. The co-operation that the Grenadians are seeking will be outlined to the Indonesian producers when a high-level government delegation from the island visits Jakarta. Getting agreement on

the destruction of the stocks is one aspect of Grenadian plans to resurrect the cartel, which foundered on changes in the Indonesian government's economic policy involving extensive deregulation of the economy.

The subsequent removal of controls on the volumes put on the market has sent prices down. In 1986, before the cartel was established, the world price for nutmeg was about US\$1,000 a tonne. The marketing pact, in which both countries set minimum prices for the nut, led to an increase to about \$7,000 a tonne. According to Mr Noel, prices are now about \$2,000 a tonne.

In preparing the ground for closer collaboration, Grenada and Indonesia recently established diplomatic relations. But Indonesian officials, saying they wanted to see what proposals the Grenadians will be making before commenting on their own position, have indicated that even if it is revived, the marketing agreement will not be similar to the cartel that existed before.

"In a deregulated economy where market forces are at play, it is out of place for us to embrace any mechanism which seeks to control the market and to fix prices," one official explained.

Strengthening the market is more important for Grenada than it is for Indonesia. Nutmeg is a significant foreign currency earner for the Caribbean island but represents only a part of a larger spice industry in Indonesia. "The nutmeg industry represents the major foreign currency earner for Grenada," confirmed Mr Noel.

When the Indonesian producers group, Aspin, and its Grenadian counterpart, the GCNA, signed the agreement creating the cartel, there were costing and significant benefits for the Caribbean island. Earnings from exports in 1986 were \$1.65m, but the following year Grenadian farmers received \$5.55m in surplus payments.

Under the agreement creating the cartel, the Indonesian producers undertook to sell their high quality nutmeg at between \$6,800 and \$7,000 a tonne and low quality at between \$1,000 and \$1,200 a tonne. For their part, the Grenadians committed themselves to minimum prices of \$6,800 a tonne for their best nutmeg and \$5,675 a tonne for poorer quality.

Indonesia's high quality nutmeg, the red lace substance that surrounds nutmeg, had a minimum price of \$13,500 a tonne, with low quality not being sold below \$6,000 a tonne. The Grenadians agreed not to accept less than \$11,750 a tonne for their premium mace or \$5,750 for the secondary product.

The two producers' groups also agreed to control the volume of nutmeg and mace placed on the market in order to maintain price stability. The

agreed volumes were determined on the basis of average production and stocks held by both. Grenada's stocks reached 5,500 tonnes, with Indonesia's at 4,000 tonnes, said Mr Noel.

The cartel had a short life. By 1989 Grenadians were accusing the Indonesians of reneging on the pact by selling nutmeg and mace below the minimum prices.

An attempt to repair the damage had seemed to be successful, with Indonesian and Grenadian officials agreeing to restore the cartel's pricing policy, the Indonesians undertaking to sell their spice at 5 per cent above the agreed minimum and the Grenadians adding 10 per cent to their prices.

But when the new economic policies were implemented in Indonesia, Grenada's industry threat in the event and reduced prices in an effort to hold on to market share. The GCNA dropped the price of its top quality nutmeg by \$2,300 a tonne, and the price of premium quality mace was reduced by \$4,000 a tonne.

"When we talk with the Indonesians, we will also discuss co-operation in marketing, which will allow us, as the producers, to deal directly with end users," said Mr Noel. "This will allow us to bypass the commodity brokers. The previous agreement collapsed, not because it was unworkable, but because of changes in Indonesia."

S African coal prices give 'barely adequate' return on investment

By Philip Gawth in Johannesburg

CONTRACT PRICE levels for coal are barely adequate to produce a return on existing investments, never mind encourage new investment, says Mr Allen Cook, chief executive of Randco, South Africa's second largest producer.

Speaking at a recent conference in Australia, Mr Cook said although international demand for South African coal would continue to rise in future years, there were two major points of concern for the local industry. The first concerns the high rate of cost escalation in recent years, which is eroding South Africa's competitive position. This is a function of increased wage demands, rising transport costs and continuing inflation of about 15 per cent.

Mr Cook said there was a

significant drive in the industry to lower costs by improving productivity. Agreement has also been reached with Spoornet, the state rail company, to peg rail freight costs on the line to the Richards Bay export port in the next few years at about half the inflation level.

The second issue is that "current market conditions, recent price history and some buyers' attitudes to pricing" militate against further investment. Mr Cook said a buyers market had existed for a number of years, with the real price for coal declining in all major currencies. "The cost squeeze on producers has led to a number of mine closures which, in the medium term, will be detrimental to the continued secure supplies of coal from major producing companies," said Mr Cook. He added that it was in the interest of all parties that a "reasonable" price level should be set that encouraged future investment in coal.

South Africa has port capacity to export 65m tonnes a year. To contract prices would have to rise by between \$5 and \$25 a tonne to make projects to expand capacity beyond this point viable, said Mr Cook.

Coal is South Africa's second largest export earner after gold. Last year the country earned R4.3bn (\$630m) from exporting 45.5m tonnes of coal. Mr Cook said that with sanctions gone, large potential new markets were opening up, particularly in Japan, Korea, Denmark, France, Holland, UK and US. He said that Western buyers had regained its position as the main destination for South African exports. Mr Cook said Europe remained a major growth market for South African coal that was price competitive, particularly if the price of coal from current low-price producers in CIS and Poland begins to reflect the actual cost of production.

Commodity price revival forecast

PRICES FOR most commodities could show a strong revival in 1992 if the economies of the leading industrialised countries recover enough to stimulate demand for raw materials, according to the Economist Intelligence Unit, writes Our Commodities Staff.

"We expect the global economy to pick up in 1992 and most commodities are sensitive to change on the demand side," said Mr Alton Gordon, editor of the unit's World Commodity Forecasts.

In the latest edition of the 26 commodities price covered by the EIU, 18 are seen as fetching higher prices in 1992 than this year, when many commodity prices hit new lows because of the recession. In the soft commodities, crops may be badly hit by drought and the ensuing supply problems should support prices, Mr Gordon said. He expected tea, sunflower and soyabean oils prices to do

better in 1992 than this year. The coffee and cocoa markets are still heavily oversupplied but if stock control measures succeed, prices could recover strongly, Mr Gordon said.

Nickel, with its fortunes strongly linked to stainless steel production, would benefit from a strengthening consumer goods sector, while steel prices should support prices in the construction and power transmission sectors, the EIU said.

Philippines coconut output falls sharply

By William Keeling in Jakarta

COCONUT PRODUCTION in the Philippines, the world's leading exporter of coconut oil and copra, may be 39 per cent less this year than the original forecast, officials of the Asian and Pacific Coconut Community said yesterday.

Mr P.G. Panchinewas, executive-director of the APCC, said that more than eight months of low rainfall had severely affected the Philippines' production, measured in copra equivalent, was likely to be between 1.4m and 1.5m tonnes. In January the APCC estimated production would be 1.9m tonnes.

Industry officials say low rainfall has been exacerbated by the eruption of Mount Pinatubo and they do not expect production to recover until 1994. In 1990 the Philippines produced nearly 2.6m tonnes of coconuts. Stocks of coconut oil in Rotterdam, the main trading centre, have fallen sharply in the past year to 61,176 tonnes in mid-May from 184,575 tonnes in May last year.

Copra meal stocks have also declined as a result of a 35 per cent year-on-year fall in exports from the Philippines for January-April to 141,019 tonnes.

Indonesia's exports of copra meal also declined, by 59 per cent in January and February to 38,162 compared with the same period last year. However, Mr Panchinewas said that Indonesia had enjoyed better than forecast rains and 1992 estimated coconut production at 3.25m tonnes remained unchanged.

APCC officials said they expected the world market price of coconut oil to average \$900 a tonne off this year, up from \$495 per tonne in 1991. In the longer-term, officials believe world prices will be sustained by demand growing faster than supply.

WORLD COMMODITIES PRICES

MARKET REPORT

LME TIN prices closed near 25-month highs. Three-month tin's early test of support at \$6,600 a tonne encouraged buying in the afternoon and the market quickly made headway to within a whisker of the \$6,700 level. Dips continue to attract buying interest and sentiment is also aided by tighter technical tightness. ZINC was again buffeted by waves of liquidation, three-month metal dropping below support at \$1,210 a tonne at one stage to touch a 3-1/2-month low of \$1,206. The squeeze continued to unravel, exerting pressure, traders said. Traders were expecting LME warehouse stocks to rise again

today. COMEX COPPER remained lower at midsession on the heels of Chinese selling and falling equities markets. "The Chinese selling was enough to cap the market," said one New York analyst. Floor sources said many players took profits from Wednesday's rise to lifetime highs across the board. The sell-off in the Japanese and US stock markets weighed on sentiment by pointing to lessening demand. New York raw SUGAR prices were lower at 3-1/2 months as profit taking emerged after Wednesday's advance above 11 cents a lb for the July contract.

Compiled from Reuters

London Markets

SPOT MARKETS

Commodity	Unit	Price	Change
Grade oil (per barrel FOB)	£	22.40	+0.05
Debit	£	22.40	+0.05
Debit Blend (dated)	£	22.40	+0.05
Debit Blend (Aug)	£	22.40	+0.05
WTI (1st oil)	£	22.40	+0.05

Oil premiums

CRUDE OIL (per barrel FOB)

Commodity	Unit	Price	Change
Crude oil (per barrel FOB)	£	22.40	+0.05
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Oil premiums

London Markets

SPOT MARKETS

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LONDON STOCK EXCHANGE

Bearish factors overwhelm equities

By Terry Byland,
UK Stock Market Editor

CONFIDENCE cracked on the London stock market yesterday morning in the face of a wave of alarming developments at home and abroad. Equities suffered their worst trading session of the year as the FT-SE 100 fell by nearly 40 points at mid-session and large lines of blue chip stocks came on to the market.

Most of the damage to share prices came early. London had already reacted strongly to the falls overnight of 400.78 on the Nikkei Index and 41.78 on the Dow Average when it was dealt a further, and in immediate terms, more serious blow. GPA, the world's largest aircraft leasing group, withdrew

its planned \$1bn global share offering, barely four hours before it was due to announce the pricing details.

But not even this unprecedented development proved to be the end of the day's woes. ICI's share price began to crumble as the first reports trickled back to the City from the company's meeting with analysts, who then began to cut profit forecasts for the Britain's blue chip chemical group. The ICI meeting caused

fresh doubts over the progress of UK companies.

The Footsie fell to 2,559.1, abandoning an important support level as large blocks of stock in such well-known names as British Gas, Midland, and Hanson came on to the market.

Account Opening Dates			
First Dealings	June 18	June 29	
Options	June 18	June 29	
Open Orders	June 18	June 29	
Account Day	June 18	June 29	
Account Day	June 18	June 29	

Weekend trading may take place from 4.30 am to 10.00 am on Friday.

An attempted rally was unsuccessful and although Wall Street was only 5 Dow points off in London trading hours, the UK market closed in a mood of gloom. The final reading put the FT-SE 100 at 2,559.1 for a day's loss of 38.7.

The GPA decision, prompted by a lack of institutional support, reportedly in London and the US, cast a chill over the rest of the aerospace sector

and also discouraged stocks such as Wellcome and Lasso where prospective share placings were threatened.

The depressed state of the market yesterday masked a relatively favourable reception for the day's statistics on UK employment, unit costs and money supply. The increase in May's unemployment total was smaller than expected and butressed the view that "economic recovery is in place rather than in doubt," according to Mr Ian Harnett at Strauss Turbome.

Some of the pressures came from basket trading between stock and stock index futures. Today brings Triple Witching Hour on Wall Street and also expiry in London of the June contract on the Footsie. A very

large seller of the September Footsie future appeared in London yesterday afternoon and several leading trading houses were struggling to square up open positions between futures and the underlying blue chip

stocks.

Sea-transport volume increased sharply to 517.9m shares from the 423.7m of the previous session. But these figures include both customer and intra-market business. Customer, or retail activity in UK equities has remained high this week, and was worth only 268.7m on Wednesday. The low level of genuine customer investment business has left some traders with exposed positions in both the June contract on the Footsie and also in the blue chip stocks.

Aviation stocks suffer

THE SHOCK caused by the withdrawal of GPA's global share offer sent tremors through the aerospace sector, leading to falls in British Aerospace and Rolls-Royce.

At the day's worst, BAe was down 26 as confidence in the aviation industry received a sharp knock. Some analysts also talked of the possible effects of the GPA move on its orders for Airbus aircraft. GPA is one of Airbus's biggest customers and BAe holds 20 per cent of the equity.

Sentiment was further weakened by fears of bad news when the BAe chairman met UK analysts yesterday evening in Berlin. Bargain hunters helped the shares come off the bottom and they ended 18 off at 377p on turnover of 8.6m.

Rolls-Royce was also affected by the news from GPA but it was speculation, later proved unfounded, regarding problems at an important customer of Rolls-Royce which caused the increased turnover and fall in share price. Volume rose to 18m as the shares retreated 8 to 185p. Profit-taking after the recent rise in the shares was also said to have been a factor.

Gloom at ICI

A gloomy progress meeting at ICI prompted a number of securities houses to cut their forecasts for the group and led to a sharp fall in the share price. The stock was further affected by the continuing overhang of the stake sold by Hanson. The shares closed a net 38 lower at 1235p.

Mr Charles Lambert of Smith New Court said the previous consensus forecast for 1992 profits had been 585m, and he was cutting back to 575m.

One ICI broker was widely believed to have cut his estimate to 580m from 590m.

Analysts said ICI highlighted the disappointing performance of AgriChemicals and the flat progress of the industrial chemicals arm. Mr Lambert added: "They are saying nothing particularly different from anyone else in the industry, but they had shown a glimmer of hope at the end of the first quarter and, formally, they have gone more cautious than they were."

The shares were also overshadowed by the 2.8 per cent stake that Goldman Sachs bought from Hanson for 1400p a share in early May. The US

Ladbroke supported

Best performer in the leisure sector yesterday was Ladbroke, which put on 2 to 208p as Hoare Goveett and County NatWest both turned buyers. The shares had been under pressure for several weeks following a series of downgrades, with analysts focusing on the group's property portfolio, particularly in the US.

According to Mr Lisa Gordon at County, Ladbroke is now trading at close to a 10-year relative low, and "in a market looking for decent yields the company promises a safe 7.6 per cent based on a 6 per cent increase in dividend this year".

Mr Hamish Dickson at Hoare agrees and, while retaining reservations about the property exposure, believes Ladbroke will generate sufficient revenue to raise its dividend.

Rumours of a downgrade in Fortis by its broker, UBS Phillips & Drew, persisted in spite of the house's firm denial. It was said that UBS was now at the bottom of the market range. The shares receded 5 to 208p.

A number of big Footsie stocks saw heavy trading yesterday as a rumour went round the market that the Kuwait Investment Office was lightening its portfolio. There was also talk that depressed marketmakers were cutting both

their losses and books after a grim week.

A block of 9m British Gas shares traded at 184 1/2p was behind a heavy overall turnover of 23m for the stock which fell 5 1/2 to 247p. Royal Bank of Scotland saw a line of 9m shares dealt each way at 185p and closed 9 off at 186p. Hanson, embroiled by a block of 6m shares sold into the market, slipped 5 1/2 to 209 1/2p with 21m traded.

Flotation worries and a profit forecast cut hit Lasso, which fell 10 to 199p. Analysts had generally expected the oil exploration company to announce the pricing for the flotation of its North American assets acquired when it bought Ultramar. The announcement was expected on Wednesday, but its non-appearance combined with the withdrawal of the GPA float created market concern. Also, Strauss Turbome revised its 1992 forecast to a loss of 27m from a previously estimated deficit of 5m.

Wellcome, expected to raise about 54m through a heavy share flotation this summer, was also hurt by the GPA news. The shares fell 26 to 919p. However, analysts remained convinced that the flotation was secure.

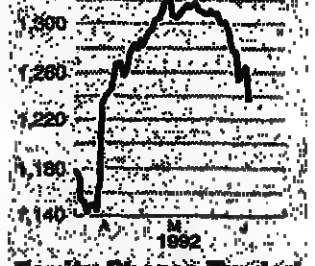
A 10 per cent dividend rise and profits towards the top of market expectations failed to prevent water company Severn Trent declining 7 to 375p. Regional electricity supplier Manweb eased 2 to 342p after announcing a 61 per cent

increase in profits, in line with forecasts.

A block of around 9m shares in United Biscuits was reported to have stuck in the market. Dated, but by a profit-taking order, the shares lost 5 1/2 to 365p as 2.1m shares were traded. Hillside was off 5 to 185p after a substantial placing resulted in turnover of 26m shares.

Bass managed to gain a penny to 604p as shares in the leading brewing and drinks group generally weakened.

FT-Air-Share Index



Equity Shares Traded (turnover by volume in millions)

Business's Overseas turnover

increase in profits, in line with forecasts.

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Bass managed to gain a penny to 604p as shares in the leading brewing and drinks group generally weakened.

UBS Phillips & Drew refused to comment on suggestions that the securities house had recommended a switch into Bess and out of Whitbread 'A', down 10 at 434p.

Mr Andrew Thompson, analyst at Kleinwort Benson, advised investors overweight in Allied-Lyons to switch into Grand Metropolitan, but added that he is only making such a recommendation after Allied's recent rise and has not changed his advice on the stock from a hold. Allied slipped 18 to 844p, while GrandMet lost 8 to 475p but performed better than most leading shares in the sector.

Guinness, 10 cheaper at 573p, was depressed by a profit downgrade from Kleinwort.

Tyne Tees Television jumped 34 to 265p following a 530m agreed bid from Yorkshire TV, which fell 7 to 189p.

Speculation in the French media that a takeover for Eurotunnel was in the pipeline helped lift the shares 8 to 345p.

Shares in TI, which recently took over aerospace and information technology company Dowty Group, were affected by the GPA announcement and fell 14 to 855p. Also affected by the same sentiment was British Airways, 7 lighter at 283p.

MARKET REPORTERS: Christopher Price, Peter John, John Kibazo, Colin Millman.

Other market statistics, Page 32

FINANCIAL TIMES STOCK INDICES

	June 18	June 17	June 16	June 15	June 14	June 13	June 12	Year Ago	High	1992	Low	Since Completion	High	Low
Government Secs	89.75	89.75	89.74	89.70	89.82	83.75			89.82 (294/9)	85.11 (2/15)	127.40 (1/17/95)	49.18 (2/1/75)		
Fixed Interest	104.55	104.36	104.37	104.42	104.53	92.85			105.82 (2/8)	97.15 (2/15)	105.52 (2/17/95)	50.53 (2/1/75)		
Ordinary Share®	1998.4	2022.1	2037.0	2028.4	2095.3	1948.3	2146.7	1915.4	195.82 (22/5)	134.14 (3/4)	2149.7 (26/5/92)	49.4 (26/5/40)		
Gold Mines	102.2	105.1	105.3	104.3	103.7	109.5			102.5 (10/1)	117.1 (15/2/93)	734.7 (26/7/01)	43.5 (2/1/75)		
FT-SE 100 Share	2592.7	2598.4	2616.3	2593.6	2603.7	2484.7	2737.8	2382.7	115.55 (11/5)	112.52 (11/5/92)	2737.8 (25/7/94)	698.9 (25/7/94)		
FT-SE Eurotrack 200	1165.54	1202.27	1207.86	1169.73	1207.53	1162.89	1245.79	1120.52	124.58 (11/5)	119.51 (11/5/92)	1245.8 (11/5/92)	536.82 (11/5/92)		
QILT EDGED ACTIVITY														
•Ord. Div. Yield	4.65	4.56	4.54	4.57	4.58	4.57			1000 100 Bond, Sec 15/10/93, Bond 100 P+SE, 10/25, Ontario					
•Earning Yld % (full)	5.85	6.72	6.95	6.70	6.89	5.50			12/25, 1000 100 12/25/93, 1000 P+SE 10/10 21/2/93					
•EPS Ratio (10/12)	10.35	10.55	10.53	10.70	10.75	14.53			6 FT-SE Eurotrack 200 25/10/93, 6 100 17/28 5/93					
SEAO Shares & 50cm	22,049	22,012	21,253	21,201	27,861	27,589								
Equity Turnover(2m)		686.8	606.1	60.1										
Equity Bargainers		24,004	24,495	23,814	30,726	23,049								
Shares Traded (m)		69.6	60.5	47.1	41.7									
Ordinary Share Index, Hourly changes	June 15 2001.6													
Day's High	1994.8													
Day's Low	1894.8													
5 Cuts	Gilt Edged													
Bargains	87.8													
5 Day average	105.5													
SE Activity 1974.														
*Excluding intra-market business and Overseas turnover														
London Report and latest Share Index														
Tel. 0591 123001, Calls charged at 35p														
minute cheap rate, 40p/minute at other times														
Day's Low 1155.15														
Day's High 2598.4														
Day's Low 2593.6														
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips on trade figures

THE DOLLAR slipped over a pence against the D-Mark on the foreign exchange markets yesterday following news of a wider than expected US merchandise trade deficit, writes James Blyth.

The deficit widened to \$6.97 billion in April from a revised \$5.58 billion in March, sending the dollar downwards as the American markets opened. Earlier, in late Asian trading, the US currency had appreciated to over DM1.68 following short term positioning by dollar investors. But yesterday's trade figures quickly pushed the dollar down to a low of DM1.6530. The currency closed down at DM1.6550 after a previous close of DM1.6780.

Underlying the dollar's drop is uncertainty about the US economy. One London analyst said yesterday that he had revised downward his view that the dollar could bottom out at DM1.65. The economic recovery remains weak and speculation about another easing of interest rates by the Federal Reserve hangs over traders.

Also playing on nerves is the strong candidacy of Mr Ross Perot for the US Presidency. A serious three-way contest for the American leadership makes it uncertain whether there will be a clear result. "Investors will have little appetite for acquiring dollars before the US election is out the way," said Mr Neil MacKinnon, chief economist at Yamaichi International in London.

The dollar's weakness was again a by-product of D-Mark strength. The Irish referendum on European union, the result of which will be known today, continued to worry traders. The Italian lira had a bad afternoon, dipping below L768 to the D-Mark, and threatening to test its lower limit in the European Monetary System against the strongest currency, the Portuguese escudo. In response, the Bank of Italy moved up its short term money

market intervention rate by 1/4 per cent to 14.8 per cent.

The D-Mark was also stronger against sterling, which closed down half a pence at DM2.9200. The French franc was also softer against the German currency at FF3.3703 from a previous close of FF3.3690.

Although it ended the day stronger against the dollar, the yen was weaker against the D-Mark, prompted by the overnight fall in the Japanese stock market. Stocks ended at a 68-month low, with the Nikkei average barely above 16,000.

Suggestions that the leaders of the Group of Seven leading industrial nations will call for a stronger yen at their summit next month are keeping the currency strong. But that strength may disappear if the Japanese economy weakens further. The yen closed down against the D-Mark at ¥80.89, compared to a previous close of ¥80.51.

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Also playing on nerves is the strong candidacy of Mr Ross Perot for the US Presidency. A serious three-way contest for the American leadership makes it uncertain whether there will be a clear result. "Investors will have little appetite for acquiring dollars before the US election is out the way," said Mr Neil MacKinnon, chief economist at Yamaichi International in London.

The dollar's weakness was again a by-product of D-Mark strength. The Irish referendum on European union, the result of which will be known today, continued to worry traders. The Italian lira had a bad afternoon, dipping below L768 to the D-Mark, and threatening to test its lower limit in the European Monetary System against the strongest currency, the Portuguese escudo. In response, the Bank of Italy moved up its short term money

market intervention rate by 1/4 per cent to 14.8 per cent.

The D-Mark was also stronger against sterling, which closed down half a pence at DM2.9200. The French franc was also softer against the German currency at FF3.3703 from a previous close of FF3.3690.

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FINANCIAL FUTURES AND OPTIONS

LIVE US TREASURY BOND FUTURES

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NASDAQ NATIONAL MARKET

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INDIA 1992

The FT proposes to publish this survey on **June 26 1992**. This survey will be read in 160 countries worldwide, including India where it will be widely distributed. In Europe 92% of the professional investment community regularly read the FT. If you want to reach this important audience, call **Louise Hunter** 071 873 3238 or Fax 071 873 3079.

*Data source: Professional
Investment Community 1991
(MPG Int)*

FT SURVEYS

FT SURVEYS

FT SURVEYS

AMERICA

Dow recoups early decline by midsession

Wall Street

IN SPITE of further declines on overseas markets and concern about the impact of today's expiration of derivatives contracts, the Dow Jones Industrial Average was up 1.33 at 3,289.08, a recovery from early morning losses, when the index had been almost 20 points lower. The more broadly based Standard & Poor's 500 was also slightly firmer at the halfway mark, up 0.47 at 402.72. The Amex composite, however, was down 1.37 at 378.97, but the Nasdaq composite rose 0.10 at 553.34. Turnover on the NYSE was 135m shares by 1pm.

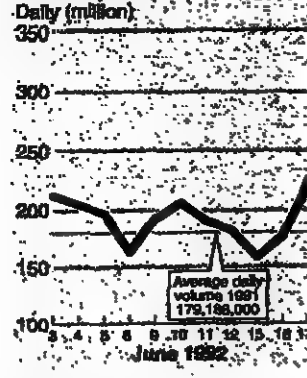
After opening lower following the big declines in Tokyo and London, the market found little comfort in the day's economic news. The April trade deficit of \$70m was wider than expected, while the decline in weekly jobless claims was smaller than forecast and indicative of a weak labour market.

One feature was investor wariness about buying ahead of today's expiration of futures and options contracts. With the market in its current vulnerable state, there was concern that the expirations, always a potentially disruptive force on underlying equity prices, could send share prices into a prolonged tail-spin.

Among individual stocks, Advanced Micro Devices plunged 9.5% to 99.4 in turnover of 4.4m shares after a federal jury ruled that the company cannot use a piece of Intel software in its clones of Intel microprocessors. The news lifted Intel 3.4% to \$61.14 in turnover of 5.5m shares.

IBM rose 0.3% to \$95.45 after an earnings upgrade from brokerage house Merrill Lynch, which raised its 1992 and 1993

NYSE volume



profits estimates for the computer group to \$7.25 a share and \$9 a share respectively. IBM's gains boosted other big computer stocks, with Hewlett-Packard adding 3.2% at \$67.40, Digital Equipment rising 4% to \$37.40 and Compaq putting on 3% at \$25.50. Apple, which like Intel is quoted on the over-the-counter market, rose 0.4% to \$49.00.

Sundstrand, well bid on Wednesday following positive analyst's comments, fell 1% to \$35.40 after the company announced plans for a 60 cents a share restructuring charge in the second quarter.

On the Nasdaq market, J & J Snack Foods slumped 3.3% to \$9.40 after warning that third quarter earnings will be below the 20 cents a share posted a year ago.

Canada

TORONTO struggled back from early morning weakness in moderate midday trade. Most sectors suffered losses, with the consumer products and communications and media indices hardest hit by slides in their heavily-weighted issues. The TSX 300 was off 10.9 at 3,357.3, up from a morning low of 3,349.8, in volume of 14.68m shares valued at C\$155m.

EUROPE

GPA, Maastricht add to continental caution

GPA's aborted flotation and the Irish referendum on Maastricht took their toll on bourses yesterday, writes Our Markets Staff. Frankfurt was closed for a holiday.

AMSTERDAM saw Philips down another F1.20 at F129.30 following Wednesday's profit warning with the shares expected to fall further today on the expiry of options. Volume was estimated at some 4.5m shares, broadly the same as the day before. The CBS Tendency index was 1.6 down at 125.8.

KLM's transatlantic price cuts on flights originating from the US sent the shares lower. The airline was also rocked by speculation that a US airline was about to file for bankruptcy. KLM has a 20 per cent stake in Northwest. It closed down F1.10 at F138.10.

Some analysts said that the withdrawal of the GPA flotation would have less effect on KLM than the Fokker's down F1.30 or nearly 4 per cent at F132.20 because of the latter's exposure to regional airlines

FT-SE Eurotrack 100 - Jun 18						
Hourly changes						
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm
1151.84	1151.40	1150.69	1146.96	1140.71	1147.41	1146.47
Day's High 1152.25				Day's Low 1145.88		
Daily volume 1000000000						
Jun 17	Jun 16	Jun 15	Jun 12	Jun 11		
1158.46	1165.38	1159.75	1167.48	1162.52		

which depend on leasing finance.

Elsevier closed F12.90 lower at F1107.50 on rumours that Mr Cornelis Alberti, an executive director at Elsevier and tipped to become chairman, was to resign.

PARIS ended lower after a volatile session as investors sold out, troubled by weakness on other markets and Maastricht doubts. The CAC-40 index went as low as 1,880.51 before closing 17.04 down at 1,901.80, its lowest close since February 17. Turnover rose slightly to F12.7bn.

Michelin was one of the day's more prominent losers, falling FFr6.7 or 3.4 per cent to

FFr193.3 ahead of its annual shareholders' meeting next Thursday. Alcatel, another widely-held blue chip, lost FFr12 to FFr127.

Among smaller stocks, Hachette lost FFr3.4 to FFr128.7 in spite of the company's forecast of a return to profit this year.

MILAN started about 0.5 per cent higher, following the favourable political developments on Wednesday, but later came back slightly in view of the weakness on foreign markets. The Comit index rose 2.1 to 471.79 in turnover estimated at between 1,800m-1,850m after Lombard on Wednesday.

Trading on the screen system was delayed by one hour

due to problems with the telephone lines linking the network. Sip was the most heavily traded on the system, losing L73 to L1,278 in 7.02m shares, on fears that the reorganisation of the sector would take longer than expected.

Weakness in the Italian bond market, following Wednesday's devaluation fears, put pressure on the banking sector. Banca Commerciale fell L65 to L2,955 and Credito Italiano lost L48 to L1,536.

ZURICH was relatively resilient, the SMI index closing 10.6 lower at 1,862.5 in moderate volume. Registered shares in Ciba-Geigy, Sfr30 lower at Sfr3,280, topped the active list. Other chemicals were also lower with the exemption of bearers in Merck which rose Sfr18 to Sfr696 on buying by one small Zurich-based bank.

Swissair extended losses from midday to close Sfr12 lower at Sfr720. The airline said on Wednesday that it planned to cut 400 of its 6,000 administrative jobs.

MADRID weakened in moderate volume, the general index losing 1.55 to 246.51. Rumours that the chemicals group Ercros may file for bankruptcy drove the shares down Pta33 or 15 per cent to Pta189.

STOCKHOLM fell ahead of the midsummer holiday today. The Affarsvarden General index fell 14.40 to 928.90 in moderate turnover of SKr430m, of which trading in Astra accounted for SKr90m, as yesterday was the final day for trade in Astra restricted shares. All Astra shares will be unrestricted from Monday.

OSLO suffered its 13th consecutive decline, depressed by falls on the foreign exchanges. The all-share index dropped 6.51 to 417.28 in trading worth Nkr250m.

Norvik Hydro shed Nkr2.50 to Nkr162. UNI, Storebrand, which asked the government for permission to hold its 28 per cent stake in the Swedish insurer Skandia beyond June 30, saw its A shares drop Nkr3 to Nkr25.

COPENHAGEN moved against the trend, the KFX index closing 0.29 higher at 89.03 after a modest recovery by bank and insurance shares.

The insurer, Hafslund, in deep trouble because of unrealised losses on its large stakes in Baltica and Skandia, saw its A rise DKr12 to DKr142, mainly because of the rise in value of its 33.5 per cent stake in Baltica, whose shares rose DKr20 to DKr460.

Danske Bank and Unidam marked edged up in quiet trading, mainly because the domestic bond market stabilised.

HELSINKI's banks were another story. Free shares in KOP, one of Finland's largest banks, fell Fm1.2 to Fm5 as the Hex index closed 11.7, or 2.2 per cent, lower at 783.2, although traders said that trading was extremely thin.

ISTANBUL jumped by 2.7 per cent with the 75-share index closing up 95.52 at 3,614.54, its highest level for over a month. Turnover was estimated at TL205.7bn from TL144.8bn.

ASIA PACIFIC

Nikkei loses 2.4% despite buying by investment trusts

Tokyo

THE NIKKEI average set a 5.7-year low for the second consecutive day as a drop in the futures market prompted further arbitrage-linked selling, writes Emiko Terazono in Tokyo.

The 225-issue average lost 400.24, or 2.4 per cent, to 16,045.56. The index fell to the day's low of 16,030.91 in the morning session on arbitrage selling and liquidation of holdings by corporations and financial institutions.

Heavy buying in the afternoon by investment trusts helped recoup the losses, and the Nikkei rose to 16,403.66. However, the improvement was eroded by selling by a leading US broker towards the end of the session.

Volume rose from 288m shares to 330m. Foreign investors, who until recently have been buyers of the Tokyo market, were seen selling real

estate, securities and bank shares. Traders said foreign interest towards Japanese stocks was waning, although liquidation of holdings is not expected in the near term.

Declines outnumbered advances by 905 to 118, with 95 issues unchanged. The Topix index of all first section stocks dropped 30.97, or 2.4 per cent, to 1,245.64, but in London the ISE/Nikkei 50 index put on 4.46 to 976.04.

Comments by Mr Yasushi Miemo, Bank of Japan governor, ruling out scope for a cut in the official discount rate also discouraged investors. In spite of the denial, however, the sharp falls in share prices raised hopes of monetary easing among bond market participants. The yield on the 120 10-year benchmark fell to 5.36 per cent from 5.42 per cent on hopes of lower short-term rates.

However, stock market participants ignored movements in the bond market. Traders

said buyers would be absent while the selling by arbitrageurs and institutions continued.

A total of 312 shares fell to the year's low, as was the case with Nippon Steel, Y3 cheaper at Y260.

Rumours that leading Japanese brokers had revised down their earnings forecasts for the leading steel companies prompted selling. Institutional investors sold holdings of leading blue chips.

Daikyo, the condominium maker, weakened Y19 to Y781. The issue fell by its daily limit on Wednesday as rumours that the company faces financial trouble circulated in the market. Although company officials denied such rumours, traders said investors remained pessimistic about Daikyo's business prospects.

Real estate companies were also weak, with Mitsui Fudosan finishing Y55 down at Y730 and Mitsubishi Estate retreating Y21 to Y779.

In Osaka, the OSE average declined 353.77 to 19,143.36 in volume of 22.5m shares.

Roundup

WUAKNESS in New York and Tokyo unsettled Pacific Rim markets.

NEW ZEALAND closed lower as investors, already scarce ahead of the July 2 government budget announcement, were further discouraged by weakness on international markets. The NZSE-40 index closed 14.85 down at 1,515.95 in turnover of NZ\$34.9m (NZ\$29.6m). An exception was Brierley Investments, a cent up at 97 cents on the day's heaviest volume of 5.7m shares.

AUSTRIA held up fairly well in the face of the sharp declines in New York and Tokyo, the All Ordinaries index ending 6.2 off at 1,624.9 after an early low of 1,616.1. Turnover was steady at AS\$71m. CRA fell 12 cents to AS\$1.24 after reporting that a

strike had closed iron-ore production at its Hamersley unit in Western Australia.

MANILA continued its downward correction as the composite index shed 36.04 to 1,498.75 in turnover of 154m pesos, after 254m. The decline was triggered by a \$2.125 loss to \$39.625 for PLDT in overnight trading on the American Stock Exchange. It fell 45 pesos to 1,045 pesos in Manila.

HONG KONG also extended its retreat, the Hang Seng index tumbling 49.96 to 5,796.10 in steady turnover of HK\$2.77bn. Utilities were sharply lower: Hongkong Electric lost 40 cents to HK\$18.80.

KUALA LUMPUR was broadly lower in light trading, the composite index slipping 8.89 to 596.50 in turnover of M\$103m (M\$135m). Telekom Malaysia declined 30 cents to M\$13.70 and Tenaga Nasional 25 cents to M\$9.50.

SINGAPORE fell on profit-taking. The Straits Times Industrial index closed 11.41

down at 1,506.08 in turnover of S\$112.4m (S\$140.3m). Shipping stocks were among the most actively traded, joining shipyard issues on the list of losers. Hotel shares were also sold after a local report that occupancy rates have slipped in the second quarter.

TAIWAN firmed in light dealings as late bargain hunting overwhelmed midsession declines. The weighted index gained a net 24.88 at 4,628.78 as turnover shrank to T\$28bn from T\$36.8bn. SEOL dropped in cautious trading. The composite index fell 12.87 to 563.86 in turnover of Won211.5bn, after Won236.5bn.

SOUTH AFRICA JOHANNESBURG dropped in nervous trading. The industrial index fell 61 to 4,494 and the overall index was off 43 at 3,857. The gold index dropped 20 to 1,132. The gold share Vendors jumped 30 cents to R1.85 in speculative trading.

Italian volume continues recovery

William Cochrane reviews last month's European equity turnover

May was a volatile month for equity turnover on European stock exchanges, with a weakening in Belgium, France and the UK balanced by gains elsewhere. But even the winners were riding for a fall.

Italy put up the biggest increase in trading, turnover rising by 30.7 per cent, extending and accelerating a 25.4 per cent gain in April after an exceptionally weak March. It had periods of excitement, and stock market rallies in May on the hopes of a recovery in political stability and in the economy longer term, seen particularly in industrial shares in anticipation of these events.

"People thought that Italy must have seen all the bad news," says Mr James Cornish of County NatWest, which produces the monthly turnover figures, "but the change in sentiment came ahead of any change in reality." The Danish "No" vote to the EC Maastricht treaty brought fear back into the Milan bourse at the beginning of June; it had already

been severely incapacitated on June 1, when the screen trading system was knocked out of commission by heavy rainstorms and lightning.

The Netherlands, up 20.5 per cent, was helped by the oil price rise and the boost in trading which this gave to Royal Dutch. There is a sense in which a market so sensitive to oil, the US dollar and the performance of its big international stocks seems never to have a domestic story of its own to tell.

"There is a good story to be told about the Dutch domestic equity market," says Mr Cornish; but he reflects wryly that, this month, it seems likely to be submerged in this week's further, painful chapter in the Philips saga.

Germany, in May, put on 16.6 per cent as the threat of a metalworkers' strike was averted. In this, it effectively returned to the January/March level after a nervous April, but once again, as in the case of other European bourses, its June trading has been seri-

EUROPEAN EQUITIES TURNOVER

Source	Feb 1992	Mar 1992	Apr 1992	May 1992	Jun 1992	US \$bn
Belgium	45.72	48.28	51.36	40.80	1.23	
France	116.18	108.97	112.17	100.16	18.57	
Germany	126.20	126.66	107.90	126.80	76.26	
Italy	8,948.80	5,944.80	7,457.30	9,747.60	8.06	
Netherlands	14.10	11.60	12.20	14.70	8.13	
Spain	687.55	807.25	481.52	513.47	5.13	
Sweden	10.50	11.68	12.48	13.28	9.15	
UK	29.81	32.59	41.77	36.36	64.70	

Volume represents purchases and sales. Values are adjusted for multiple shareholdings. Some figures may be rounded. Source: County NatWest Securities.

ously affected by worries about EC stability - after the Danish vote, on the run-up to yesterday's Irish referendum and in the prospect of a French version in September.

Political stories were also reflected in the UK and France, the former falling by 14.1 per cent as the post-election spree unravelled to the January/March level after a nervous April, but once again, as in the case of other European bourses, its June trading has been seri-

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PRELIMINARY RESULTS

for the year ended 31 March 1992

	1991/92	1990/91
Turnover	£834.6m	£829.3m
Profit before tax	£94.7m	£58.9m
Profit after tax	£69.8m	£43.6m
Earnings per share	58.7p	36.7p
Final dividend	12.80p	11.20p

Highlights

- Profit increased to £94.7 million
- Over £61 million invested in pursuit of improved customer services
- Reduction in operating costs of £16 million
- 1992 price rises well below inflation
- Executive team restructured and strengthened

"We have had a very encouraging year and have achieved the level of profits required to fund the investment in the network and other parts of the business needed to improve customer service. By focusing on our businesses, we have secured reductions in operating costs of well over £16 million which have enabled us to keep price rises in 1992 well below the rate of inflation. At the same time we have improved services to customers in virtually all criteria measurable."

Bryan Weston
Chairman, 18 June 1992.

Manweb

The company's Annual Report will be sent to all shareholders in early July. Copies are available from the Company Secretary, Manweb plc, Scotland Road, Chester, CH1 4LA.

For share price information call the Shareholder Hotline on 0839 500543

*Calls charged at 50p per minute plus 10p at any other time.

FT-ACTUARIES WORLD INDICES

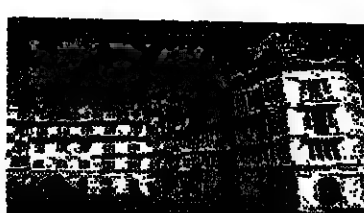
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 17 1992	THURSDAY JUNE 18 1992	DOLLAR INDEX
Figures in parentheses show number of lines or areas	US Dollar Index	US Dollar Index	US Dollar Index
Australia (60)	146.81	-0.5	117.27
Austria (19)	171.81	-1.4	137.26
Belgium (46)	142.58	-0.8	114.05
Canada (115)	125.61	-1.3	100.49
Denmark (59)	261.46	-1.4	185.23
Finland (15)	77.00	-1.6	61.55
France (104)	159.51	-1.9	127.59
Germany (65)	124.07	-1.0	89.24
Hong Kong (55)	246.81	+0.0	187.42
Ireland (16)	160.31	+0.3	128.23
Italy (78)	69.51	-0.1	55.60
Japan (47)	88.29	-2.7	76.82
Malaysia (50)	241.48	-0.1	185.15
Mexico (18)	148.84	-2.5	119.74
Netherlands (25)	122.09	-1.9	129.65
New Zealand (14)	48.34	+0.1	37.06
Norway (25)	173.39	-1.7	145.42
Singapore (28)	228.18	+0.0	185.44
South Africa (61)	297.10	+1.4	189.98
Spain (50)	154.17	-0.6	122.32
Sweden (27)	193.30	-1.9	154.51
Switzerland (33)	48.73	-0.3	38.82
United Kingdom (227)	193.14	-1.0	154.49
USA (522)	163.89	-1.1	131.08
Europe (733)	123.00	-1.2	123.09
Nordic (100)	177.11	-2.0	141.67
Pacific Basin (718)	105.01	-2.4	84.00
Euro-Pacific (151)	124.41	-1.8	92.55
North America (587)	124.41	-1.8	92.55
Europe Ex. UK (568)	124.04	-1.3	103.22
Pacific Ex. Japan (245)	171.12	-0.2	136.89
World Ex. US (1705)	123.56	-1.7	101.24
World Ex. UK (2200)	133.02	-1.7	105.40
World Ex. So. Af. (2186)	137.64	-1.9	110.02
World Ex. Japan (1754)	160.50	-1.2	128.38
The World Index (2227)	138.20	-1.8	110.54

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Latest prices were unavailable for this edition.



American dreams
Confidence returns
to Silicon Valley
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Beside Maxwell's
empire
Sins of the
father
Page 8



FINANCIAL TIMES

Thursday June 18 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

Car-free European cities proposed by Ripa di Meana

EC environment commissioner Carlo Ripa di Meana said city dwellers should get rid of their cars to prevent Europe's cities being choked by the internal combustion engine.

Saying he was ready to set an example by abandoning his own Alfa Romeo, he unveiled a study showing it would cost between two and five times less to live and work in car-free cities. Page 18

Maasricht uncertainty: One in four voters in today's Irish referendum on the Maasricht treaty is still undecided, according to a public opinion poll published yesterday. Page 18; Further Maasricht reports, Page 3

Italian premiership: President Oscar Luigi Scalfaro announced he would formally invite Giuliano Amato, a former Socialist finance minister, to be Italy's 51st Italian prime minister since the war. Page 2; Lira devaluation fears, Page 24

Tokyo stocks hit new low: The Nikkei stock average plunged 507.73 to 16,445.90 - a loss of 3 per cent - to its lowest level since November 1988. Negative sentiment spread as buying by public pension funds failed to counter continued selling by dealers and institutional investors. Page 46; Further blow to Japanese investors, Page 19; Editorial Comment, Page 16

London Zoo: the world's oldest and formerly a top tourist attraction, will close in September unless a private buyer can be found. The zoo has been in financial difficulties. After breaking even in March it cancelled closure plans. However, attendance so far this year has fallen to 30 per cent below target and the zoo has a deficit of £2m (£3.6m) on annual running costs. Report and further pictures, Page 9

German hostages: French German aid workers Heinrich Strübing and Thomas Kemptner, the last western hostages in Lebanon, returned home to Cologne from Beirut, after three years held by Shia Muslims seeking the release of two prisoners in Germany. It's not over yet, Page 4

Basco Santander president: Emilio Botin has been subpoenaed to appear tomorrow before a Madrid judge who is investigating possible tax fraud involving loans worth about \$1m made by the bank between 1987 and 1988. Page 19

US pharmaceuticals group: Shares in Upjohn, US pharmaceuticals group, tumbled towards a 52-week low after the company warned that second-quarter earnings would not surpass last year's. Page 18; Wall Street, Page 46

Cable and Wireless chairman: Lord Young said he was discussing partnerships for specific projects but ruled out a global alliance. Page 19; Lex, Page 16

ICC: UK-based cables and construction group, announced a £50m (£100m) deal which will double its share of the power cable market in North America. Page 19

Czechoslovak pact: Czech and Slovak leaders reached basic agreement on forming a new government, but remained deadlocked on how to prevent Czechoslovakia splitting. Page 2

Tanker crash kills 48: At least 48 people were killed on Egypt's north-western coast road near Alexandria when a tanker carrying inflammable liquid collided with a bus.

Portuguese drugs haul: Portuguese police claimed to have made Europe's biggest cocaine haul after they seized 4,000lb of the drug as it was transferred to a fishing boat. Two Spaniards were arrested.

Digital Equipment: world's third-largest information technology group, is reorganising its European operations in an effort to restore flagging sales and profitability. Page 21

European soccer: England and France were knocked out of the European championship in Sweden. Sweden beat England 2-1 and Denmark beat France 2-1 to go into the semi-finals. About 40 England supporters attacked Swedish fans in Stockholm after the defeat.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,588.4 (-17.3)	New York	1,588.9 (1,684.6)
Yield	4.71	London	1,588.9 (1,684.6)
FT-SE 100	1,588.4 (-17.3)	Paris	1,588.9 (1,684.6)
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NEWS: EUROPE

Agreement on Prague government

RIVAL Czech and Slovak leaders reached basic agreement yesterday on forming a new government, but remained deadlocked on how to prevent Czechoslovakia splitting apart, Reuter reports from Prague.

"The short-term goal is to assure the functioning of the federal government as soon as possible, and we've agreed on its basic structure," said Mr Vaclav Klaus, finance minister, after talks with Mr Vladimir Meciar, the Slovak leader.

Neither Mr Klaus nor Mr Meciar, head of the Movement for a Democratic Slovakia (HZDS), which wants to transform Czechoslovakia into a loose confederation of two sovereign republics, named ministers in the new government.

But Mr Klaus, chairman of the Civic Democratic Party, said he would stand for the post of premier of the Czech republic, rather than become federal prime minister. "We do not put much faith in the functioning nature of the state we are now constructing," he said.

Mr Meciar said the new government had to function as a confederal body, with most powers residing in the two individual republics, which he wants to have their own independent international status.

Amato asked to form government after Craxi steps aside
Italy ends crisis over PM

By Robert Graham in Rome

PRESIDENT Oscar Luigi Scalfaro last night announced that he would formally invite Mr Giuliano Amato, a former Socialist finance minister, to be the 51st Italian prime minister since the war.

A seemingly impossible deadlock over the choice of a new prime minister following the April 5 election was unlocked yesterday morning when Mr Bettino Craxi, the Socialist leader, agreed to withdraw his candidature for the premiership.

In stepping down, Mr Craxi proposed three fellow Socialists who were considered more likely to gain the support of possible coalition partners.

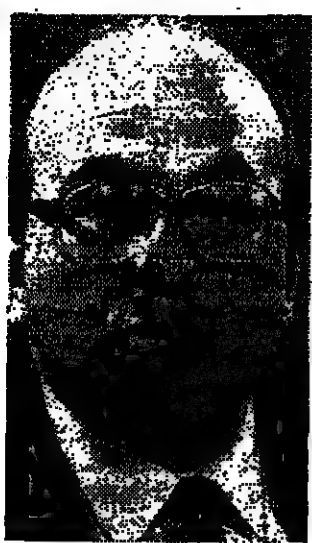
Mr Amato, a law professor and highly respected in parliament as a senior member of the Socialist Party, was from the outset the most likely candidate once Mr Craxi withdrew.

Mr Amato is in charge of a special party commission looking into the Milan municipal corruption scandals.

Though using guarded language, Mr Scalfaro made it clear that the next prime minister would need to reflect the reality of the large protest vote



Amato: summoned to presidential palace



Bettino Craxi: tainted by corruption scandal

against the coalition of Christian Democrats, Socialists, Social Democrats and Liberals in the April 5 election.

The candidate also had to reflect the need for clean government in the wake of the corruption scandals.

President Scalfaro is also anxious to see a slimmed down government and the likely emphasis will be on technical competence rather than party

loyalty.

This effectively excluded Mr Craxi, who based his election campaign on a renewal of the four-party coalition and whose image has been damaged by his links to party members involved in the Milan scandal.

It was not clear whether Mr Craxi decided to stand down on his own initiative or was persuaded to do so by Mr Scalfaro. Mr Craxi, prime minister from

1983 to 1987, had assumed before the elections he would get the job, backed by the Christian Democrats.

Until now he has insisted on being the Socialists' candidate for the premiership despite growing dissent within the party and lukewarm support from the Christian Democrats.

His insistence also blocked much-needed support from the small Republican party or the former communist Party of the Democratic Left (PDS).

The immediate Christian Democrat reaction was favourable. The party has recognised that, with one of their number newly elected as president, a likely balance was a Socialist prime minister.

Equally important, the PDS appeared willing to back a Socialist prime minister and shifted the emphasis to the nature of the next government's programme.

A prominent Socialist in northern Italy Renato Amorevoli, killed himself after going to see authorities investigating a major city hall corruption scandal in Milan, police said yesterday.

Milan stock market recovers, Page 46

EC agrees shipyard aid for east Germany

By Andrew Hill in Luxembourg and Leslie Collis in Berlin

EC industry ministers last night agreed controversial European Commission proposals to cut capacity in the ailing east German shipbuilding industry by 40 per cent.

The deal will be backed by safeguards to prevent the rest of the EC industry being undercut by subsidised east German competitors. The agreement should allow the Treuhand to sell off some yards to private companies.

The restructuring programme, which began after German unification, will eventually have cost 25,000 shipbuilding jobs in east Germany.

Under the Commission plans, Bonn can provide operating aid to 36 per cent of the yards' estimated turnover after restructuring.

The exact amount of aid will be adjusted for each yard according to a complex formula. Subsidies have to be paid before the end of 1993, in exchange for drastic cuts in capacity by 1995.

French, Spanish and Italian ministers had been pressing for capacity cuts of as much as 57 per cent. They held out for

The planned DM13bn move of the German parliament and main government offices from Bonn to Berlin will be delayed, a Bundestag commission confirmed yesterday, writes Christopher Parkes in Bonn.

It was not possible to meet the 1996 deadline set a year ago, the commission said in an interim report.

One important factor was that the results of an architectural competition for the refurbishment and extension of the Reichstag, centrepiece of the project, would not be known until next year.

assurances that the aid level would be strictly observed and supported by safeguards for their own shipyards, which are subject to a general EC ceiling on production aid of 9 per cent.

The future of the east German shipyards is a highly sensitive political issue in Germany. Yesterday's meeting of ministers in Luxembourg was lobbied by ship stewards of the German yards and mayors of ports of the region of Mecklenburg-Vorpommern, where shipbuilding accounts for 40 per cent of industrial employment.

Only yards which opened before October 1990 will be eligible for the subsidies.

The Commission plan has to be approved by the European Parliament.

The EC decision came as forecasts for early recovery of the East German economy were abandoned.

The German government and some economists had predicted a recovery beginning this summer, but the Federation of Berlin and Brandenburg Employers (UVB) said yesterday that reports from companies showed it was still far off.

In one of the most sombre assessments yet of east Germany's prospects, Mr Hartmann Kleinert, head of the UVB, said he expected that by next year only 15 per cent of nearly 4m industrial workers in east Germany in 1990 would still have jobs.

Many of the former workers were in government-sponsored job creation programmes which Mr Kleinert, a spokesman with other critics, said only served to finance consumption and not investments.

The gloom was deepened yesterday when Bouygues, a French construction and media company, withdrew a bid to buy east Germany's Kibo construction group.

UK urges military role for the WEU

By Robert Maunier, Diplomatic Editor

BRITAIN called yesterday for the nine-nation Western European Union to be given a genuine military capacity, in line with last year's Maastricht agreement that the WEU should be the vehicle for developing European defence.

Mr Malcolm Rifkind, the British defence secretary, said in an article ahead of tomorrow's meeting of WEU foreign and defence ministers outside Bonn that all members should make available a wide range of their Nato and national assets for use by the WEU.

Such an approach had the advantage of avoiding the creation of separate standing forces, which no member state could afford. It also meant that the WEU would have a variety of forces to deal with a variety of possible needs, from humanitarian to peace-keeping work. Moreover, it would help to ensure that what was done in the WEU enhanced and did not duplicate what was done in Nato.

The WEU needed, in particular, to identify which forces would be available for use by the organisation. Britain had suggested that European multinational formations such as the plan for a joint Dutch-Belgian-German-British Nato division, or the UK/Netherlands Amphibious Force, or the Franco-German corps, could be put at the disposal of the WEU.

However, in a thinly disguised reference to the Franco-German corps, Mr Rifkind warned that there could be no question of a European country or countries having permanent command of WEU forces. "As in other areas of European construction, we will have to share command and headquarters roles."

Building work in W Europe falling

By Andrew Taylor, Construction Correspondent

CONSTRUCTION across a recession-hit western Europe is likely to fall by about 3 per cent this year with only a slight improvement expected next year, judging by forecasts from 18 countries published yesterday in Helsinki.

The forecasts compiled by Euro-Construct say the biggest falls are expected in housing and private sector commercial property development.

These markets have been hit by a combination of sluggish economic growth and high interest rates which have deterred purchasers from buying properties.

Worst affected have been Scandinavia and Britain, where the collapse of property markets has been greatest.

In Germany rebuilding the former communist-controlled eastern part of the country is placing an increasing strain on investment elsewhere in the economy.

The value of construction output in constant prices is expected to rise by only 1.5 per cent this year and 1 per cent next year. This compares with annual growth in German construction output of between 4 per cent and 5 per cent in the three years 1989 to 1991.

Construction output in Spain, which rose by 13 per cent in 1989 and 9 per cent in 1990, is likely to grow by only 1 per cent this year as large building programmes for the Barcelona Olympics and the world Trade Fair in Seville have been completed.

Building and civil engineering activity in France and Italy is expected to either dip or remain static.

Forecasts available from Euro-Construct, Millbank Tower, Room 1214, Millbank, London SW1P 4QX, E250.

FT survey: European building and construction, Pages 29-30

Russia attempts to export unemployed

By John Lloyd in Moscow

RUSSIA is asking other countries to allow in Russian "guest workers" to relieve the pressure of unemployment and earn hard currency.

A Russian minister said the "traditional labour-accepting countries" of Australia, Canada and the US had been approached to take quotas of Russian workers.

The German embassy said that two programmes - one allowing a maximum of 11,000 Russian workers to come in under contracts with Russian companies working in Germany, and the other allowing 2,000 to work for 18 months to acquire skills - were expected to be signed next month. There was no intention, however, of signing further agreements.

The frank admission by Mr Igor Khalevinsky, a deputy labour minister, that Russia was actively seeking to export labour to richer states, after decades of refusing exit visas, points to growing concern over unemployment.

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Greenpeace planned to stage a mass open air concert on BNFL-owned land at Sellafield without our consent. The location would have been totally unsuitable, leading us to believe that public safety, order and health there would be put at risk.

Sellafield is an industrial plant, not a concert venue.

We have therefore successfully applied to the High Court for an injunction prohibiting Greenpeace from holding any concert, demonstration or gathering on BNFL land at Sellafield this weekend, 19-21 June 1992.

By doing so it is not our intention to gag Greenpeace or its supporters. We always have and always will welcome debate on nuclear energy.

What we will never do, however, is allow our commitment to public safety to be compromised. Either by ourselves or by others.



BRITISH NUCLEAR FUELS PLC

MAKING SENSE OF A SENSITIVE ISSUE

MAASTRICHT ● Germans at odds ● French make progress ● Danes mark time ● Irish vote

Kohl tries to hold line on treaty

By Quentin Peel in Bonn

THE GERMAN government and opposition yesterday tried and failed to forge a common line on the ratification of the Maastricht treaty on European union, as Chancellor Helmut Kohl insisted that the document could not be renegotiated.

In an important parliamentary debate intended to stem the growing tide of public doubt over European integration, the opposition Social Democrats (SPD) served notice that their approval of the treaty — essential for ratification — was subject to tough preconditions.

At the same time, the minority Greens called for a national referendum before ratification,

a demand which is supported by some key members of the SPD, and a by clear majority in recent opinion polls.

Speaker after speaker reminded the German chancellor of the growing public "Euro-scepticism", and fears for the disappearance of the D-Mark in a future European currency. They feared German voters were suffering from the same basic mistrust of political leaders which caused a majority of Danish voters to reject the Maastricht treaty in their national referendum.

"The policy of European union, which for decades has been taken for granted, and was in danger of becoming merely boring, is suddenly facing criticism which is rapidly gaining ground, and appears to

be ever more fundamental," said Mr Günter Verheugen, deputy foreign affairs spokesman for the SPD.

"The public was not prepared for European union," he said. "The details of its contents, and above all the introduction of a common European currency, came as a big shock," he said.

The same message came from all sides of the house. While they accepted that the treaty could not easily be renegotiated, several speakers said that it should somehow be improved, or added to, or corrected with a second full-scale treaty.

Mr Kohl himself was adamant, seeking to head off the doubts by going over to the offensive. He rejected any hint

of renegotiation, and gave a grim warning of the dangers of rising nationalism in western Europe, parallel to the trends in the east.

He warned that fears of the past, and memories of the misdeeds of the Nazi regime, were still alive in other European countries. There was no reasonable alternative for Germany than to seek irreversible integration in a united Europe.

"In western Europe (as in the east) we are not proof against the temptation of slipping back into nationalistic thinking," he warned. "Only with a determined commitment to European union can we avoid a relapse into the destructive nationalism of the past."

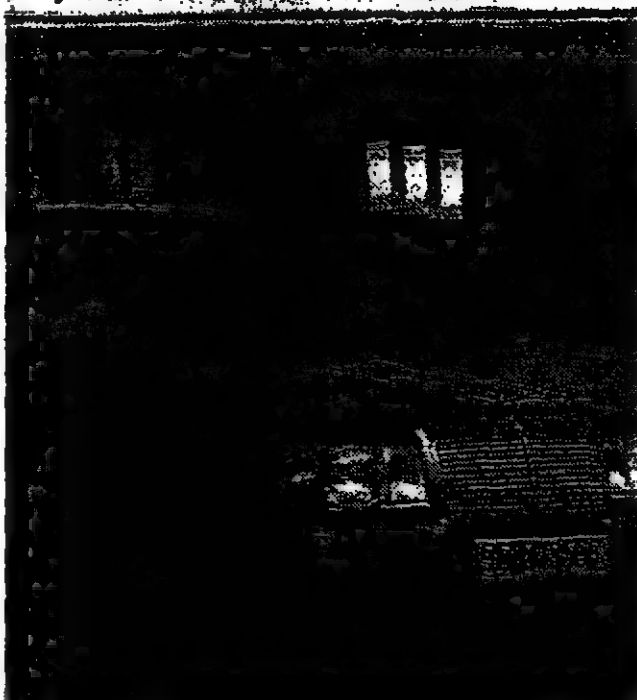
Mr Hans-Ulrich Klose, parliamentary leader of the SPD,

agreed that Germany could not and would not be the country to block the Maastricht treaty. But he also insisted that Germany must not enter the final phase of European monetary union without a fully fledged parliamentary decision to do so.

That was a formal precondition for SPD support for ratification. An acceptable deal must also be done with the 16 German Länder on their future involvement in EC decision-making, the SPD said. The political parties were largely agreed, but the government was delaying a deal, Mr Verheugen said.

That is where the real stumbling block to German ratification remains.

Who's helping
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FOR THE RICH



A poster in Dublin arguing for a Yes vote in today's referendum on the Maastricht treaty is hijacked by a No — presumably a non-driver. The overall debility of the Yes campaign, in contrast to the vitality of the treaty's opponents, together with a large number of floating voters, have created considerable uncertainty about the outcome.

Denmark waits on its partners

By Hilary Barnes in Copenhagen

THE DANISH government has confirmed that it will make no proposals to resolve the political crisis surrounding the Maastricht treaty until its 11 European Community partners have completed the ratification process.

This means that there will be no move on Denmark's part until the end of 1992, and possibly not until next year, according to Mr Anders Fogh Rasmussen, Denmark's economy minister.

He admitted that the Danish government could not sign the treaty as it stood because of the No vote in the recent referendum. But he pointed out that the treaty would not be valid until the 11 — assuming they all ratify the treaty — ask the Danish government to sign the document.

It was only when this question was put to the Danes, and the Danish prime minister declined to uncap the ceremonial fountain pen, that the treaty would be invalidated.

Mr Rasmussen predicted that the other 11 member countries would not put the crucial question to Denmark, which takes over presidency of the European Council next January 1. He added that Denmark would use the interim period to try to work out a solution acceptable to both the 11 and itself.

Vote brings ratification nearer in France

By Ian Davidson in Paris

FRANCE cleared another hurdle on the road to Maastricht in the early hours of yesterday morning when the senate approved changes in the French constitution required for ratification of the treaty.

Virtually all the Socialist, centrist and centre-right UDF members voted for the revision, which was mainly opposed by the Gaullists and the Communists.

The one technical hitch is that the senate introduced detailed amendments to the text passed by the national assembly. Since the constitution can only be revised on the basis of identical texts, the senate version will go back to the assembly today for a new vote.

However, the size of the senate majority (192 in favour and 117 against) strengthens expectations that the government should be able to complete the constitutional revision in its final parliamentary phase, a special congress of the national assembly and the senate, in the palace of Versailles, probably on June 26.

A three-fifths majority will be required at that meeting. This seems entirely feasible, since the separate votes in the two houses of parliament add up to a majority of just over 60 per cent. However, should the congress fail, the government will submit the Maastricht treaty for ratification in a popular referendum in the autumn.

Polls continue to suggest that the treaty would be approved in a referendum — a Sofres survey shows 50 per cent in favour, 41 per cent against. Mr Raymond Barre, a leading centrist and a former prime minister, has predicted a 55-50 per cent vote in favour.

Curiously, the deep disagreements over Europe within the ranks of the conservative opposition parties, appear not to have dented their general popularity.

This paradox is most acute in the case of Mr Jacques Chirac, leader of the RPR Gaullist party. The Gaullists are deeply divided over Maastricht, and Mr Chirac has announced that he will not take any position on the issue, until he can see his way more clearly. Yet he continues to stand head and shoulders above all other conservative leaders in the opinion polls, as the most popular and most plausible candidate in a presidential election.

If Ireland coughs, the rest of the EC is in for a prolonged cold

IRELAND, as its prime minister, Mr Albert Reynolds, rightly said this week, has the eyes of Europe, and many other countries, on it today.

If its referendum produces a majority, however slim, in favour of the Maastricht treaty, the treaty lives on — at least for a while.

But, if Irish voters follow the Danes in rejecting Maastricht, even by a few thousand votes, the pact for European political and monetary union will die — at least in its present form.

Then, a second set of options would open up for European

parliaments and peoples an open-ended period in which to reverse any rejection.

But real life in the Community is not like that, of course.

An Irish No today would almost certainly lead to rejection in neighbouring Britain, where Mr John Major, the prime minister, already has an anti-Maastricht revolt on his back-benches, and prevent the Danes from changing their minds.

Devising a special half-in, half-out status for Denmark, or would be, had enough: creating such arrangements for two other countries as well would be a nightmare.

The French and German governments might try to plug on with ratifying an unchanged Maastricht treaty, as Chancellor Helmut Kohl indicated yesterday. But both he and President François Mitterrand (for whom an Irish No would vastly increase his risk in holding an autumn plebiscite on Maastricht) would first have to sell to their publics the idea of a two-speed Europe.

Returning to an inner integrationist core of, perhaps, the original six members of the Community — Germany, France, Italy and Benelux — might in fact strike a popular chord among French, maybe even among Germans.

Yet, for Paris and Bonn simply to decide to forge ahead with a smaller club of "Maastricht-ers" would raise the question of how the Community is to relate to the wider Europe.

For, also riding on today's vote in Ireland is the issue of enlargement, whose institutional implications the Commission was wrangling with again yesterday.

One thing is now sure. The EC executive will be now be far more modest than it had planned in its report to next week's Lisbon summit about the institutional consequences of enlargement.

Reports and misreports that Mr Jacques Delors, the Commission president, was planning an all-powerful executive in Brussels to run a more numerous Community boomeranged in the Danish referendum.

But before entry negotiations can start with any of the seven countries which have now applied for EC membership, the applicants clearly need to know, or be told, what they are joining.

The Maastricht commitment to a European union is the only current basis on which Brussels can start preparing to

David Buchan in Brussels examines the options for the Community should the Irish electorate vote down the Maastricht treaty in today's referendum

Community: settle for the current Treaty of Rome, try to renegotiate Maastricht, or let some EC states move ahead of the rest to form an inner core of tighter integration.

But there is no agreed contingency plan to deal with a second No, any more than there was to deal with the first No. Denmark's 11 partners did move speedily, after the vote on June 2, to affirm their intention to pursue ratification of Maastricht, regardless.

In the event of a second No, there will be no such speed or unity.

On a very technical level, the Brussels lawyers still argue, Irish rejection would not kill Maastricht. EC constitutional revisions must be ratified in all member states, under the Rome treaty's terms. But there is no set time limit.

EC leaders expressed the hope that Maastricht would be ratified this year. Yet, the treaty itself only stipulates that it would enter into force on the first day of the first month after the last member state ratified it. This, theoretically, gives

Britain aims to clear way for talks with EC applicants

By Richard Evans

BRITAIN'S AIM during its six-month presidency of the European Community which begins on July 1 is to complete preparatory stages so that negotiations with the next group of EC applicants can begin, Mr John Major, the UK prime minister, says in the foreword to the presidency programme published yesterday.

He argues that the EC must not be an exclusive club. "We want to extend the benefits of membership to our fellow Europeans who share our values of democracy and human rights, who have already well-established market economies and who are ready to take on the obligations."

While appearing to warn against unrealistic expectations, Mr Major sees the half-year presidency as "an opportunity for Britain to help shape the future of Europe at a time



of great change."

The programme was unveiled in Edinburgh by Mr Ian Lang, Scottish secretary, who said the main priority would be to run a "business-like and efficient" presidency which would also show Britain's willingness to take its place at the heart of Europe.

Out of 79 events being staged in the UK during the six months, 25 will be held in Scotland, culminating in the EC heads of government summit in Edinburgh on December 11-12. Only a handful of events will take place in Wales and

Northern Ireland, giving substance to the view that Mr Major is anxious to foster a greater sense of UK unity within Scotland following recent calls for independence.

As well as the Edinburgh summit, a conference on rural development takes place in Inverness next month, and EC environment ministers meet at Gleneagles in September, when EC ambassadors also visit Scotland. Other dates include a meeting of transport ministers in Hertfordshire in July, finance ministers in Bath in September, and agriculture ministers in Cambridge also in September.

London is to host meetings of housing, justice and immigration ministers in November and December, and apart from the EC-Japan meeting on July 4, other summits may be staged between the EC and "outside" states such as the US or Canada.

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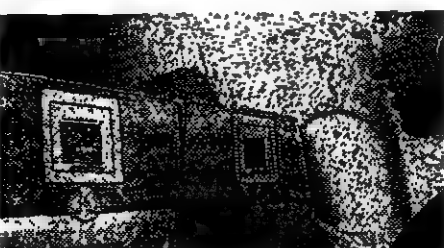
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NEWS: INTERNATIONAL

China warns against more HK democracy

By Simon Holborn
in Hong Kong

JIANG ZEMIN, secretary general of the Chinese Communist party, yesterday warned Mr Chris Patten, Hong Kong's governor designate, a bumpy introduction to the colony when he warned against any interference with the smooth transfer of sovereignty to China.

His comments come as Britain is under pressure from liberals in the colony to press China to allow an increase in



Jiang: hard talks to come

the number of elected seats in the Legislative Council. Britain's agreement with China does not allow the introduction of a fully democratic system.

Jiang's intervention, taken with the difficulties over the financing of the colony's multi-billion dollar airport project, marks a significant raising of the diplomatic temperature between Beijing, Hong Kong and London.

The impasse over the airport's financing is beginning to affect share prices in Hong Kong. Confidence in Hong Kong is more than usually fragile and brokers said that

although they thought the project would proceed, the delay was starting to take its toll on sentiment.

Mr Alan Lee, a member of the Executive Council, the colonial cabinet, met Jiang yesterday with 19 of his conservative supporters, who like China, want a smooth handover in 1997. Afterwards Mr Lee quoted the Chinese leader as saying "there should not be chaos but a smooth transfer of sovereignty with a stable political system" in the colony.

By raising the issue of Hong Kong's politics at Jiang's level the Chinese are indicating to London that it will face some hard talks on the issue of local democracy. Britain has said it will take up with the Chinese the question of more elected seats in the Legislative Council for the 1995 elections, and is expected to do so around the turn of the year.

But it is far from clear if Mr Patten will have the whole community behind him when he raises the issue. As Mr Lee's visit to Beijing underlines, such a move is losing support among conservative political interests in the colony.

Mr Lee, who is also an unelected member of the legislature, has virtually broken with the British government over its promise to approach China about increasing the number of elected seats.

In London Baroness Dunn, the senior non-official Executive Council member, indicated her disapproval with UK policy when she told a House of Lords debate on Hong Kong yesterday that talk of more seats "revives uncertainty, tension and discord in our community."

● The Hong Kong branch of Beijing's Bank of China (BOC) is scheduled to issue Hong Kong dollar bank notes in 1994, three years before the British colony returns to China, a pro-Beijing newspaper reported yesterday, Reuters adds.

Community to resume Lebanese aid

By Lara Marlowe in Beirut

A EUROPEAN Community team will visit Beirut next week to co-ordinate resumption of economic co-operation with Lebanon, after the last two western hostages left the country yesterday.

Lebanese officials hope the end of the hostage crisis after the liberation of Mr Heinrich Strübig and Mr Thomas Kempfner, two German aid workers, will encourage a return of western investors.

The EC is unfreezing Ecu100m (£117m) in financial aid, comprising Ecu41m in grants, Ecu20m in risk capital and Ecu39m in loans from the European Investment Bank. Mr David Tatham, the British ambassador in Lebanon, confirmed there would be no more delays in European assistance to the Beirut government, which is suffering from a severe economic crisis made worse by shortfalls in expected reconstruction aid.

Mr Tatham said European

financed projects were being drawn up with Mr Fadel Shalal, the president of the government's Council for Reconstruction and Development. Mr Shalal has also begun negotiations with World Bank officials in Washington.

After three years' captivity, Mr Strübig and Mr Kempfner were handed over yesterday to Mr Bernard Schmidbauer, a special German envoy, in the office of Mr Rashid Solh, Lebanese prime minister. It was the first time western hostages

were freed under the auspices of the Lebanese rather than the Syrian government.

"The release of the German hostages closes the dark chapter of hostage-taking in Lebanon forever," said Mr Solh.

Mr Giandomenico Pico, the United Nations envoy principally responsible for their liberation, said that contrary to earlier press reports, the two Germans had been held by their kidnappers until yesterday morning.

The "Holy Warriors for Free-

dom" led by Mr Abdul-Hadi Hamadi, an official of the pro-Syrian Shite Muslim Hizbollah movement, fulfilled their promise to liberate their captives within 48 hours of a statement issued on Monday.

Christopher Parkes adds from Bonn: The release clears the way for a visit to Germany by Mr Ali Akbar Velayati, Iran's foreign minister. Mr Dieter Vogel, the Bonn government spokesman, said economic links had already much improved in the past year.



Strübig, left, and Kempfner, right, flank German envoy Schmidbauer, 2nd left, while UN negotiator Pico stands behind Lebanon PM Solh in Beirut yesterday

It's not over yet, says hostage negotiator

A TALL Italian diplomat, visibly fatigued by his efforts of the last 36 hours, stood behind Mr Heinrich Strübig and Mr Thomas Kempfner as they were freed in Beirut yesterday.

In just one year, United Nations envoy Mr Giandomenico Pico has obtained the liberation of 11 Britons, Americans and Germans in Lebanon, as well as the freeing last autumn of 90 Lebanese held by the Israelis and their militia allies.

As he accompanied the two German aid workers in Beirut yesterday, Mr Pico stressed that his work was not yet completed. He has committed himself to working for the freedom of all people held without due process of law in the Middle East.

These include some 300 Lebanese held by Israel's proxy militia, the South Leb-

Lara Marlowe reports from Beirut

anon Army (SLA), at Khiam prison in southern Lebanon; 30 others, mostly Lebanese, held inside Israel; four Israelis still missing in Lebanon; and at least eight SLA militiamen.

Lebanese hostages in Israel include Sheikh Abdul-Karim Obeid, kidnapped from his home by Israeli troops in 1988. Of the missing Israelis, only airman Ron Arad is believed still to be alive. Mr Pico is also attempting to achieve the return of the remains of hostages who died in captivity.

Mr Pico's success to date can be attributed to great personal courage,

his respect of the kidnappers' demands for security and anonymity, and a perhaps utopian belief that his interlocutors will see that "violence against the individual does not work."

This week, Mr Pico repeatedly met the kidnappers of the two German hostages to resolve last-minute hitches in their release. He is accustomed to working alone and behind the scenes, and the presence of a German delegation in Beirut with constant media coverage made his task more difficult.

"They (the kidnappers) come out more credible, because they have been part of negotiations in which they have kept their word," he said. "They can join in politics. If it can be proven that things can be done through negotiations, then the appeal of violence will diminish."

Mr Pico's efforts over the past year built a fragile chain that was in danger of breaking if any one party failed to keep its word. Amazingly, he has been able to persuade Lebanese kidnappers to free their hostages without fulfilment of their demands.

The morning after American hostage Mr Terry Anderson was released in December, Mr Pico flew to Bonn to meet the German foreign and justice ministers regarding Mr Strübig and Mr Kempfner. His words then - and again yesterday in Beirut - were: "It's not over yet."

He added: "This began not as a story about just 10 or 11 westerners, but about several hundred people. It is a serious moral and political commitment. There are a lot of things left to do."

Indian central bank asks ANZ for Rs4bn

By R C Murthy in Bombay and Richard Waters in London

ANZ Grindlays, the Australian-owned bank, has been ordered by India's central bank to pay Rs4bn (£77m) in the wake of the Bombay securities scandal.

If it refuses to pay, ANZ risks losing its banking licence in India, where it is one of the longest established foreign banks, with 56 branches and post-tax profits of Rs350m last year.

The Reserve Bank of India's

demand was made by Mr R. Janakiraman, deputy governor, at a meeting in Bombay last night with Mr Bob Edgar, chief executive of ANZ Grindlays.

The order follows a protracted dispute between the two sides over whether ANZ has any liability to repay Rs4bn to the National Housing Bank, itself a subsidiary of the Reserve Bank.

The NHB paid the money to ANZ with a series of cheques made out in ANZ's name. The foreign bank paid the money into the current account of Mr

Harshad Mehta, a broker who has since been charged with fraud, even though it did not have a specific instruction from NHB to do so. Mr Mehta used the money to pay debts to the State Bank of India.

ANZ claims that it was acting in line with normal market practice in the interbank securities market, and that all banks credited brokers' accounts in this way.

Pressure on ANZ has been increased by State Bank of India's decision to repay Rs7bn to NHB on Tuesday. That

money - not connected with the Rs4bn it had received through ANZ - had also been credited to Mr Mehta's account without the NHB's explicit authorisation.

The Reserve Bank has put pressure on ANZ in recent weeks to provide against the possibility that it would have to repay the money to NHB. In response, ANZ said it had set aside the funds in case it had to repay the money - though it did not accept liability or say whether it had actually set up a provision in its accounts.

Thais lower growth expectations

By Peter Ungphakorn in Bangkok

THE FALLOUT from the bloodshed in Thailand last month could slow the country's growth rate for the year to between 6.5 and 7.4 per cent, according to estimates released yesterday by two forecasting agencies.

The figures are the first systematic attempts to measure the impact of the troubles on one of the world's fastest growing economies.

The more optimistic figure of 7.4 per cent came from the National Economic and Social Development Board (NESDB), the government's planning agency. The independent Thailand Development Research Institute (TDRI) predicted growth would slow to 6.5 per cent.

Both had earlier predicted growth at close to 8 per cent for this year. Their figures would have been worse if the discord between the military and the parties that supported it on the one hand, and the civilian opposition on the

other, had not been eased by the appointment of Mr Anand Panyarachun as a neutral prime minister last week.

The main difference between the two institutes is the assessment of the decline of tourism, a principal foreign exchange earner. TDRI believes Thailand could lose almost 20bn baht (\$616m), or half a percentage point of gross domestic product this year, although a recovery is predicted for 1993. The planning agency's estimate is for a loss of between 10bn to 20bn baht.

EC plans Gaza hospital

By David Buchan in Brussels

THE European Community yesterday gave Ecu13m (£9.1m) to build the first substantial new hospital in the Gaza strip since 1967, as part of its growing and controversial Palestinian aid programme in Israel's occupied territories.

The 232-bed hospital, to be built under a contract signed yesterday with the United Nations Relief and Works Agency (UNRWA), will be near Khan Younis, in the southern part of Gaza.

It is intended to help improve what the Brussels Commission claims are deter-

iorating health conditions among the territory's population of 780,000, most of them Palestinian refugees.

The EC has traditionally channelled most of its aid to the occupied territories, amounting to Ecu572m over 1977-81, through UNRWA. But in 1987 it began its own direct aid programme. The Israeli government has allowed an EC official to supervise this, but at Jerusalem's insistence he is based in Brussels.

● The UNRWA is to give food to Palestinians in Gaza to ease suffering caused by an Israeli ban on most workers entering Israel, Reuters adds from Gaza.

Philippine winner to be proclaimed

By Jose Galang in Manila

THE proclamation of Mr Fidel Ramos as winner in the May 11 Philippine presidential election is expected to take place next Wednesday.

Mr Ramos, a former defence secretary, gained the biggest number of votes in the count completed around midnight on Tuesday by Congress. A committee is now preparing a final report to be presented to a joint session next week which will proclaim the winner.

Also to be proclaimed by Congress is the winning candidate for vice-president, Mr Joseph Estrada, a former member of the Senate who originally gained popularity as a film actor.

In the past few days Mr Ramos has been holding meetings with business and church leaders and with some of his leading opponents in the election.

Mr Ramos, who was supported during the campaign by outgoing President Corason Aquino, ended up with more than 874,000 votes ahead of Mrs Miriam Defensor Santiago, the combative former immigration commissioner.

Members of Congress sympathetic to Mrs Santiago are expected to seek to delay next week's proclamation proceedings. Mrs Santiago has vowed to round up support among the youth in protesting at the election results.

In third place was Mr Eduardo Cojuangco, business tycoon and a well-known associate of former dictator Ferdinand Marcos. Mr Cojuangco trailed Mr Ramos by 1.2m votes and Mrs Santiago by some 351,000 votes. Mr Estrada won 5.3m votes, representing 23.6 per cent of the total number of votes counted.

Called both too strong and too weak, Ramos goes for continuity

Jose Galang on the past and future of the Philippines president-elect

AT THE start last February of his campaign for the presidency, Mr Fidel Ramos made an unannounced two-day trip to Zurich. For several days after his return he refused to discuss it, and some of his own supporters started to think that it might have mortally wounded his bid for the nation's highest office.

There followed a wave of gossip that he had gone to Zurich to establish links with the Swiss banking system, well-known to Filipinos for providing sanctuary for funds being siphoned away by dictators or that he was there for a Valentine's Day tryst.

The cigar-chomping former general successfully deflected the issue (in fact he had gone to Zurich for support for the Philippines from the International Group of Christian Democratic parties) and went on to win the most hotly-contested election in the Philippines.

Mr Ramos, aged 64, will need more of that talent for turning a crisis into a victory when he assumes the presidency on June 30. Even now, the former defence chief's election win is disputed by some of the losers who insist there was massive fraud.

The Philippines does not need uncertainty at this time. Political stability, Mr Ramos acknowledges, is crucial for the new administration to sustain a nascent economic recovery from several years of coup attempts and natural disasters.

Mr Ramos will find many allies in the business community. Several big names in business openly backed his campaign. This was hardly



Ramos: allies in business

surprising. In 1987 amid intense doubts over whether Mrs Corason Aquino could last her term because of incessant attacks by rebel groups in the military and by communist insurgents, some businessmen were privately pushing for a Ramos-led junta to provide a tougher hand in government.

Unlike his predecessor who inherited a bankrupt republic in 1986, Mr Ramos will take over an economy that is, according to independent economists, fundamentally sound though the crippling electric power shortage is a severe handicap. It is on top of Mr Ramos's agenda in his first days in office, according to aides.

Mrs Aquino's government reined in pre-election spending despite its open support for Mr Ramos. As of late-May, according to Mr Jesus Estanislao, the finance secretary, the national government had a budget surplus of 4.2bn pesos (£37.7m).

Interest rates, already down substantially from early-1991

highs, could decline further as a result.

Inflation, hovering at 8 per cent, is likely to stabilise at its target of 7 per cent for the year. The exchange rate remains steady, as international reserves remain high despite a surge in demand for dollars after the lifting of the import levy on April 30.

For Mr Ramos, stability will translate into a "continuity of policies" that the Aquino administration adopted. This will include adherence to an International Monetary Fund-supported economic stabilisation programme, on which the Philippines' relations with the world financial community remains hinged.

But "stability" also has a negative connotation for Mr Ramos. During the election campaign, his opponents interpreted his promises of stability as a strong hand, and warned that he really meant to impose martial law to silence critics and political opposition.

Opponents view him as another indecisive leader. As head of the paramilitary Philippine Constabulary during Mr Marcos's martial rule, Mr Ramos has been blamed for human rights violations traced to that group. The critics also recall that in the August 1987 coup attempt against Mr Aquino, it took Mr Ramos, then chief-of-staff of the armed forces, several hours to strike back. None the less, when he did, his troops sufficed to end the rebellion in hours.

During the campaign, Mr Ramos repeatedly "guaranteed" that he would follow the constitution in the exercise of his powers. But he says that his "will not be a wishy-washy,

flip-flopping leadership".

His 42-year experience in the military, he says, is just part of a "well-rounded" government service. The military, he says, "does not mean only pulling triggers, it is also involved in community development" that includes building roads and bridges in places that the private sector won't go because of communist insurgents.

As a member of the Aquino cabinet until mid-1991, Mr Ramos was overseer of all government development programmes for western Mindanao region, one of the most depressed areas in the country. His motivation for "people-oriented undertakings", he says, was sharpened by that experience. He did well in Mindanao provinces in the election.

Consensus-building, Mr Ramos also says, will be an important facet of his administration. One of his first moves will be to form a council of economic advisers, which will be composed mainly of private-sector leaders. He plans to meet with this group once a month, to help him establish priorities concerning business and the economy.

The result of Mr Ramos's trip to Zurich last February could come into play in his foreign policy thrusts. Mr Ramos appears poised to seek expanded ties with the European Community and with neighbours in Asia, as the Philippines prepares for a diversification in its external relations after the withdrawal of US military bases.

Reports from Washington yesterday indicated that US aid to the Philippines would be reduced next year to a third of current amounts.

Kashmir solution 'must get priority'

By Alexander Nicoll, Asia Editor

MR NAWAZ SHARIF, prime minister of Pakistan, last week had a "heart-to-heart" talk with his Indian counterpart, Mr P. V. Narasimha Rao. He says he told Mr Rao that by spending large proportions of their budgets on defence, they were depriving their people of basic rights.

During a visit to Britain following the Earth Summit in Rio de Janeiro - where he met Mr Rao - Mr Sharif made clear in an interview that solution of the problem of Kashmir, the disputed territory which is the cause of heavy defence spending and two wars with India, carries the highest priority.

A cut in arms spending, which takes up nearly a third of Pakistan's budget, would free resources for development and help to support Mr Sharif's radical economic reforms. It would help India, which is attempting similar changes to its economy, in the same way.

Mr Sharif has opened up the economy and begun a dialogue with India. But he remains beset by domestic political opposition, and by unrest which has prompted a military crackdown on violent crime in the southern province of Sindh.

Gunsman have killed Mr Nadr Ahmad Siddiqui, the Kashmiri carpet dealer who negotiated the release of several prominent hostages seized by militants fighting the Indian government. Reuters reports from Srinagar. No one immediately admitted responsibility.

Pakistan is deprived of US aid because of its nuclear programme and has proposed a five-nation conference - the US, Russia, China, India and Pakistan - to discuss non-proliferation of nuclear weapons in the region. India has refused to participate.

Mr Sharif said, however, that "the nuclear problem will only be solved when Kashmir is solved...even if we solve the nuclear issue, the tensions will not be resolved."

Though Pakistani officials made clear that there was no attempt to impose conditions by linking the issues, Mr Sharif said the need to have a large defence capability arose precisely because of the Kashmir problem.

He said he drew Mr Rao's attention to atrocities being committed by the Indian military in Indian-held Kashmir. "The worst kind of violation of human rights is being allowed to go on," Mr Sharif said.

This was their fourth meeting, and though it underlined the quiet improvement in their relations, it also followed an escalation of tension this year. Pakistan was forced to halt two attempts by Kashmiris to cross over into Indian-held Kashmir, and last month there was a round of expulsions of diplomats.

If progress on Kashmir seems blocked, Mr Sharif's achievements on the economic front are significant. Most exchange controls have gone, the budget deficit has been cut, a liberal foreign investment law has been enacted, some regulations have been removed and subsidies reduced.

A total of 54 industrial companies have been privatised as well as a number of banks, and the aim is to privatise airlines, ports, shipping and telecommunications. Mr Sharif says he hopes to make the rupee convertible during his tenure. About \$1bn (£540m) has flowed into foreign exchange accounts in Pakistan, mostly from Pakistanis living abroad.

Mr Sharif will tomorrow address a London conference designed to attract investment to Pakistan. Foreign investors and lenders, however, have been put off by the uncertain political situation and by moves towards an "Islamicised" economy, in which the concept of interest is outlawed.

Partly because of international implications, the government has appealed against a Shariah Court ruling that all transactions must be conducted according to Islamic principles by June 30. The appeal will not be heard until later in the year, thereby postponing that deadline.

Mr Sarraf Aziz, finance minister, says that 70 per cent of transactions are now carried out on Islamic principles. Some Islamic scholars contend, however, that the new accounts do not satisfy the principles. Mr Sharif apparently wishes to defuse the issue without losing political support, says: "All Islamic scholars agree that these are complex issues and will take time. We need time to examine the implications."

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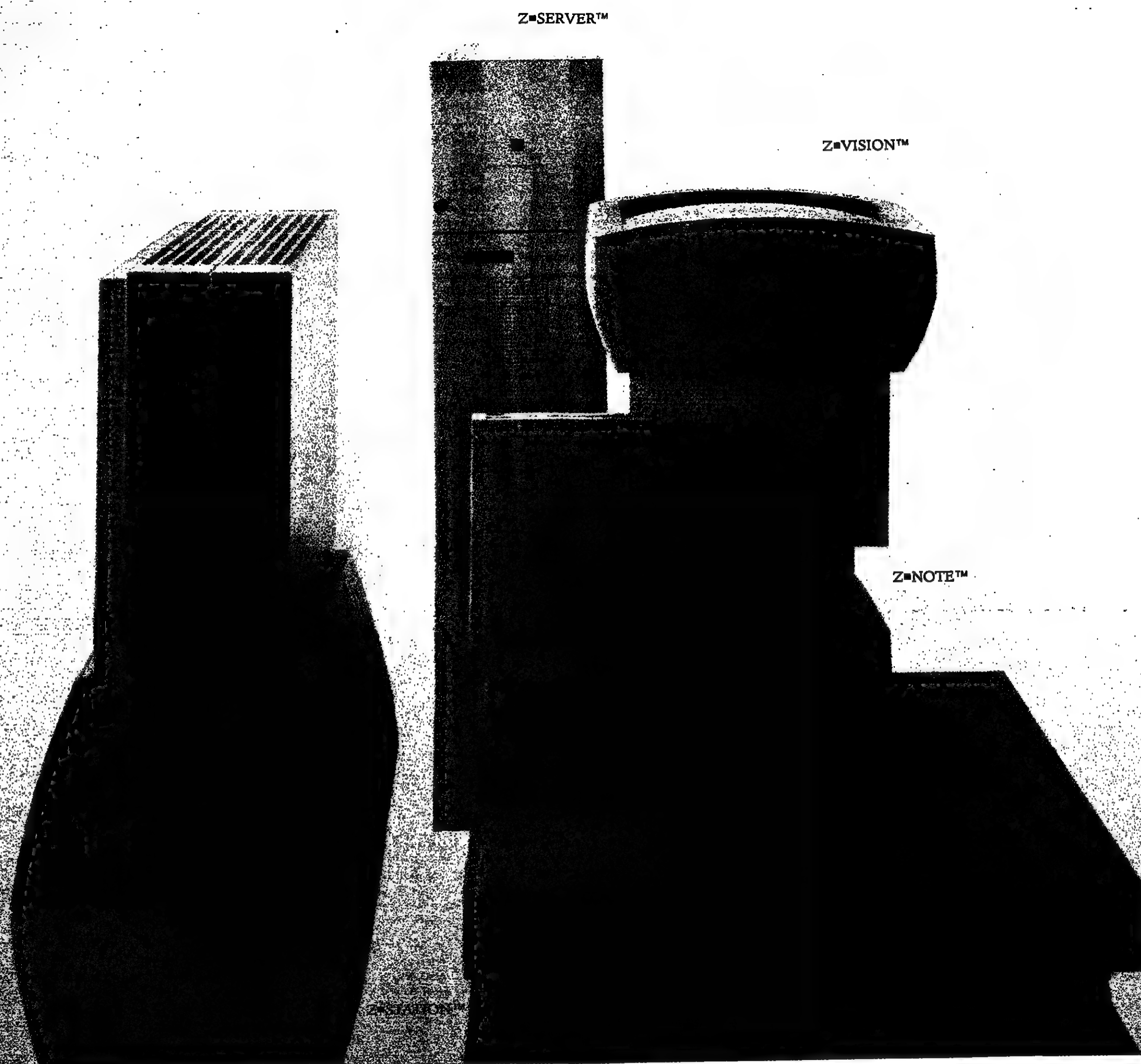
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NEWS: AMERICA AND TRADE

Big Three look with glee down Mexico way

Damian Fraser and Martin Dickson report on the motor industry's enthusiasm for the free trade pact



THE Big Three US motor vehicle manufacturers - General Motors, Ford and Chrysler - view the prospect of free trade in the North American car industry with barely concealed glee.

For the proposed North American Free Trade Agreement (Nafta) will let them sell more cars to the fast-growing Mexican market, allow them to integrate their low-cost Mexican operations with those at home, and should give them a much needed competitive edge over Japanese rivals, at least in the short-to-medium term.

However, Detroit is keeping its enthusiasm in check for fear of further antagonising the United Auto Workers union, which opposes a Nafta agreement in the belief that it will mean a large loss of jobs to Mexico.

Mexican car workers are paid between \$4-55 an hour - about a fifth of wage levels in the US - and are as productive, if not more so. The Mexicans have proved themselves adept at adopting the quality manufacturing methods pioneered by Japanese car companies. Ford's plant in the north-

ern town of Hermosillo was singled out for its efficiency in a recent Massachusetts Institute of Technology study of the motor industry worldwide.

Although final details of the Nafta vehicle agreement still have to be worked out, the accord is shaping up as generally favourable to the US industry. That is hardly surprising, since Detroit's huge existing investments in the US, Canada and Mexico mean the governments of the three countries have to weigh its demands carefully.

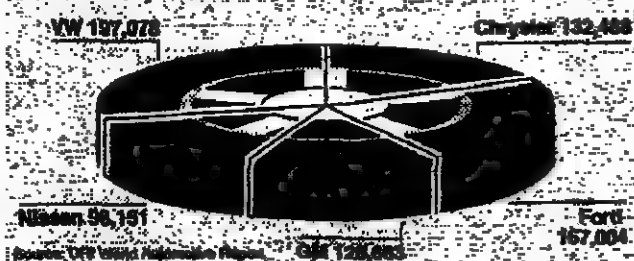
The governments also know that any Nafta agreement is going to face tough opposition in the US Congress. One that lacked the support of the car companies would stand little chance of passage.

One of Detroit's main aims has been to ensure a high level of regional content in a vehicle for it to qualify for duty-free shipment within the Nafta area. The aim is to prevent third countries, in particular Japan, from using Mexico as a cheap-labour export base in their assault on the US market.

Under the existing US-Canadian free trade agreement, 50 per cent of a vehicle has to be manufactured in North America. The US government, with the backing of the Big Three, is proposing that this be raised to

Mexican vehicle output, 1991

Market share by manufacturer



Source: US Trade Representative Report

65 per cent under the Nafta accord. The Mexicans and Canadians have resisted such a sharp increase, knowing that existing Japanese manufacturers would find it costly to reach these levels, while new entrants, which they do not want to scare away, would not be able to do so quickly.

A compromise seems likely to be reached at around 60 per cent. However, just as important as this raw number will be the method used in the accord to calculate local content.

This is a contentious issue, underlined by recent claims from the US customs department that the Canadian subsidiary of Honda, the Japanese car company, failed to meet the 50 per cent requirement in vehicles it has been shipping from Canada to the US. In particular, the pact is expected to produce tighter rules on so-called "roll-up" - the ability of a company to count a part as 100 per cent locally made, so long as it contains no more than 40 per cent of imported components.

The only Japanese car company manufacturing in Mexico now is Nissan, which has 20 per cent of the domestic market. Its local head last year warned that a 60-70 per cent local content rule was "totally out of the question" and would lead to lower Japanese investment in Mexico.

The other significant foreign manufacturer, Volkswagen Mexico, aims to beat the Americans at their own game, and is pushing for 70 per cent Mexican (and thus North American) regional content, according to the company's

Mexican sales director.

Volkswagen, which closed its US operations some years ago, is thus bringing more and more of its European suppliers to Mexico and the company plans to increase its exports of cars from Mexico to the US and Central and South America.

Besides defending their flanks against the Japanese, the American car companies want to use Nafta to grab a larger part of the Mexican domestic market through exports from their under-utilised US plants. This market is growing rapidly, with sales in 1990 likely to reach about 1m vehicles, from an expected 740,000 this year.

The Nafta agreement will liberalise Mexico's 1989 vehicle decree, which sets local content requirements for vehicles sold in the country, restricts the number of vehicles a foreign manufacturer may import, and insists that each manufacturer must export more cars from Mexico than it imports.

The accord sets a 10-year timetable for this liberalisation process.

This will help the Big Three because during this period a company which does not export from Mexico will not be allowed to import vehicles into the country.

Most analysts expect that in

the long run Mexico will become a leading base for manufacturing small cars for the US market, many of which are now made in Asia.

To help the small car trade take off, the Nafta accord would treat Mexico as "North American" for purposes of the Corporate Average Fuel Economy Act (Cafe), which dates from the fuel crisis of the 1970s and discourages US manufacturers from importing small cars.

Mr Victor Barreto, head of Ford Mexico, says: "We will have to pick the place [between the US, Canada and Mexico] where it makes sense to produce a car."

The net effect on American jobs is difficult to gauge. The loss of smaller car manufacturing in the US may be offset by increased exports of vehicles to Mexico, which is starved of choice.

Furthermore, almost half the parts used by the Big Three in their Mexican plants originate in the US, so an increase in Mexican output may help the US components industry.

On the other hand, many of the components manufacturers in the US are known to be planning expansions in Mexico. "We see good opportunities there," says Mr Larry Bossidy, chairman of Allied-Signal.

Go-ahead for \$3bn Mexican roads sell-off

By Damian Fraser in Mexico City

MEXICO'S government is to go ahead with a \$3bn road privatisation programme after its Congress approved changes to the transport laws earlier this week.

The government owns about 1,000km of four-lane toll roads, for which it might receive \$2.6bn-2.9bn for the sale of concessions for 15-20 years.

The government will spend much of the money raised building free roads to link highways now being built by the private sector. The government has granted concessions for 3,500km of toll motorways at a cost to the private sector of around \$5bn. Concessions for another 2,400km of toll roads will be granted soon.

A senior government official said Mexico was considering two mechanisms to sell the highways. It might auction off concessions in the highways to groups, of which foreigners could own 49 per cent.

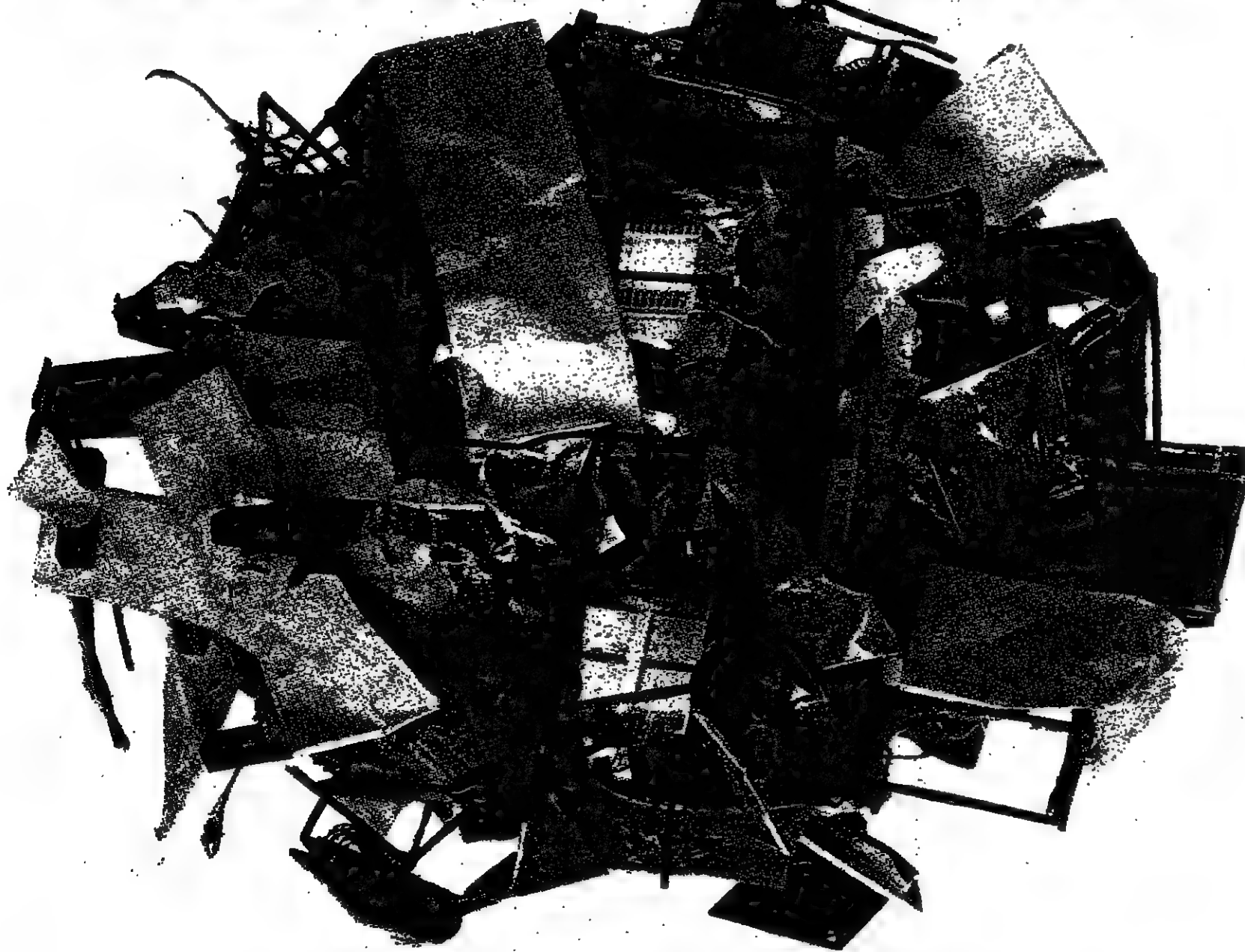
The acquiring groups would probably follow the example of the private sector building new toll roads, and issuing bonds guaranteed by toll payments to finance their purchases. Alternatively, the government might form "highway

companies" that would issue bonds in the domestic and international markets, and whose interest and principal was backed by toll payments. The government would then sell shares in the highway companies.

The Mexican government has backed down over its threat to suspend all US Drug Enforcement Agency activity in its country made in retaliation to a decision by the US Supreme Court that the kidnapping and spiriting to the US of a Mexican murder suspect was legal.

The government said it would resume "temporary" drug co-operation with the US so as not to give an equivocal signal to drug smugglers. The DEA never received notification that co-operation had been broken off, despite Mexico's announcement on Monday night that its activities had been suspended. The temporary "resumption" of co-operation will be made permanent once the revision of an extradition treaty is agreed, according to the Mexican foreign ministry. The US assured the Mexican government on Tuesday that co-operation over legal and drug matters would respect its sovereignty. See International Capital Markets; World Stock Markets

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NEC to boost US chip output

By Steven Butler in Tokyo

NEC, the Japanese electronics company, plans to triple production of semiconductors at its plant in Roseville, California, by the end of next year, through investment of \$200m.

The expansion will lift capacity from 10,000 6-inch wafers a month for 4-megabit dynamic random access memory chips (DRAM) to 30,000 wafers a month.

The decision is a sign of NEC's renewed confidence in the market for memory chips, which is currently deeply depressed. The company believes the recent increase in demand coming from US buyers will continue strongly into next year. The expansion of production will also help NEC to increase sales into the US market without exacerbating the tense trade relations with the US. The US has applied pressure on Japan to increase purchases of foreign-made chips. NEC may introduce to the Roseville plant production of 16M DRAM chips, the most advanced memory devices.

Canada to tighten immigration

By Bernard Simons in Toronto

CANADA is backing away from its reputation as one of the world's most hospitable countries by proposing a more selective system for admitting immigrants and refugees.

Proposals tabled by Mr Bernard Valcourt, immigration minister, would speed up the processing of some cases, such as immediate family members of people already in the country, and bona fide refugees. But immigration officers would also get new powers to turn away applicants for refugee status, and the right of appeal against refugee board decisions would be more limited.

The aim is to cut the number of applications by about 40 per cent from the 30,000 processed last year. Canada takes in more immigrants and refugees than any other industrial country relative to its population. Almost 200,000 newcomers arrived in 1991, and the number is expected to rise to 250,000 this year.

Yeltsin appeals to Congress for aid legislation

By George Graham
in Washington

MR Boris Yeltsin, the Russian president, yesterday took his request for aid directly to the US Congress, with a plea for the passage of a bill that would help Russia in its transition to a market economy.

He pledged that his country would never return to communism, but warned the US that, in its own interests, it must play its part by supporting his political and economic reforms. "We have left behind a period when America and Russia looked at each other through gun sights," Mr Yeltsin said.

"Today, the freedom of Africa is being upheld in Russia. If the reforms fail, it will cost hundreds of billions to offset that failure," he warned.

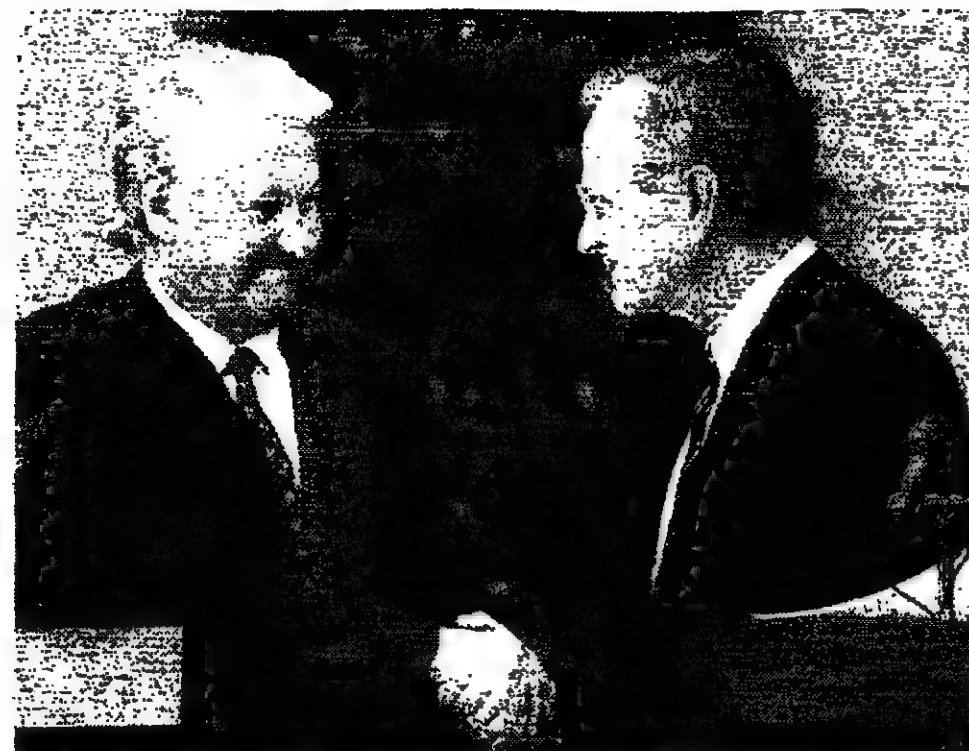
The president said the US would gain from supporting reform in Russia. "It will not be a wasteful endeavour. On the contrary, it will promote a more efficient solution of your problems as well as ours, and of course it will create new jobs in Russia as well as in the

United States," he said. In a speech to a joint session of Congress — the first by a Russian leader and only the fifth by a foreign head of state — Mr Yeltsin said that passage of the aid bill would be an important first step towards ensuring the success of market reforms in Russia.

The Freedom Support Act, as it is called, would combine aid measures specifically targeted at Russia with approval of a \$2bn US contribution to the International Monetary Fund. This latter measure is not directly tied to Russia, but without it the IMF would be handicapped in its efforts to co-ordinate the \$24bn package which the leading industrial countries have agreed to provide for Russia.

Departing from his prepared text, Mr Yeltsin took to task those US Congress members who have said that the bill should not be passed until any US prisoners who may still be alive in Russia have been found and returned home.

"You are telling me: 'First do the job and then we'll support you in passing the act.' I don't quite understand you," President Yeltsin complained.



SHAKE ON IT: Presidents Yeltsin (left) and Bush cement their nuclear arms accord

put behind him all hostility between Russia and the US. He told Congress that he had already ordered the multiple-warhead SS-18 missiles — viewed by the US as by far the most threatening Russian weapon — to be taken off alert.

Russia is to scrap the SS-18 missiles under the arms control agreement reached by Mr Bush and Mr Yeltsin on Tuesday. The latter warned the US that it must "take a fresh look" at its policies towards Russia. He singled out the imposition of 160 per cent duties on US imports of Russian uranium as one area where the US was hindering co-operation by the two countries.

US prisoner of war issue poses danger for Bush

By Jurek Martin, US
Editor, in Washington

PRESIDENT George Bush is always proclaiming his optimism and his summit with Russian President Boris Yeltsin, especially its substantive agreement on nuclear arms cuts, offers *prime facie* justification, not only for his point of view but for his reputation as an international statesman.

In election-year politics, though, the glass he sees as half-full, potentially brimming, is elsewhere perceived as half-empty and draining. In this respect, Mr Yeltsin's presumably well-intentioned declaration that Russia would help ascertain the fate of Americans missing in action, or held as prisoners of war, may also turn out to be a double-edged sword for the US president.

The Russian summit has given Mr Bush a necessary lift after the unfortunate and ill-planned excursions to Panama and Rio de Janeiro last week, which did nothing for a faltering re-election campaign partly predicated on his competence in foreign affairs.

Mr Bush has seen his popularity plummet since the heady days after the Gulf War last year, as national attention has turned increasingly to domestic issues, his weaker suit.

This fact alone had already raised serious doubts about Congressional backing for the US contribution to the \$24bn programme to assist Russia. Mr Thomas Foley, Democratic Speaker of the House of Representatives, said on Tuesday that political and economic instability in Russia made passage of the grandiose Freedom Support Act doubtful. Other Democrats have been blunt in stating that scant resources should first be spent at home.

Conservative Republicans may now have been given by Mr Yeltsin a cause to block assistance. They are exemplified by Senator John McCain of Arizona, a former prisoner of war in Vietnam, who said that no aid should be forthcoming until there had been a full accounting of Americans held on Russian territory, including the release of any found alive. Further complicating political matters is the position of Mr Ross Perot, the prospective independent presidential candidate in the US, who has made a crusade out of trying to find Americans missing in Indochina.

Also, Mr Bill Clinton, the presumptive Democratic presidential candidate, is due to see

Mr Yeltsin today and can hardly avoid subsequent comment on such a politically charged topic.

Until the unexpected announcement on Tuesday afternoon of the deep cuts in nuclear arms, the Russian initiative on US prisoners of war had dominated the summit. The offer was variously interpreted as a well-meant gesture, an inducement to Congress to approve assistance, and an attempt to enhance Mr Yeltsin's own image in the US, which has not warmed to him as it did to Mr Mikhail Gorbachev, former Soviet president, on his US visits.

Sensing that it might be backfiring, Mr Yeltsin himself said yesterday that Russia "should not be penalised" for its offer. He then departed from his prepared text, in his powerful address to Congress, to emphasise his personal commitment to American families of those missing, eliciting from the legislators a protracted standing ovation.

It also means that Mr Bush will now have to redouble his efforts to get Congress to act. Success would be good for his reputation, but failure, or a stalemate, would again be seen as evidence of his domestic political shortcomings.

Big stride away from megadeath

Robert Mauthner assesses the US-Russian nuclear arms pact

EVERY time a major nuclear arms control agreement is reached, it tends to be described as a "landmark" in the history of disarmament. That was so in July last year when US President George Bush and Soviet President Mikhail Gorbachev announced in London that, after nearly 10 years of tough negotiations, they had agreed on substantial cuts in their strategic arsenals.

But, if the Strategic Arms Reduction Treaty (Start) was important as the first-ever agreement to reduce, rather than just limit strategic weapons, it is a pale version of the accord to which Mr Bush and Russian President Boris Yeltsin put their signature in Washington on Tuesday.

Under Start (yet to be ratified) each country was due to cut the number of strategic nuclear weapons in its arsenal by about 30 per cent. The US was to have reduced its number of nuclear warheads and bombs from 12,000 to about 8,000; the Soviet Union undertook to cut its nuclear warheads from 11,000 to 7,000.

The latest agreement, however, goes much further than that. It provides for reductions, in two stages, to less than half the Start totals. By the year 2008, each country will be left with only 3,000 to 3,500 — a reduction of some two-thirds in present arsenals. However, Russia, already finding it difficult to meet its commitments under the Start treaty to destroy nuclear weapons, will require much more US help to achieve the new targets.

Mr Yeltsin, probably with an eye on the *quid pro quo* he hopes to obtain from the US and other western countries in the form of economic aid, made very substantial concessions which were opposed by Russia's military establishment. The agreement provides for the scrapping of all heavy land-based intercontinental ballistic missiles, notably more than 300 of Russia's SS-18 multiple-warhead missiles, which the US has always considered as the most dangerous and most destabilising strategic weapon.

Russia's agreement to the elimination of those weapons, in which it had a clear advantage over the US, has been matched only in part by Wash-

ington's concession in the main area of overriding US superiority, that of submarine-launched ballistic missiles. Yet the compromise on a matter on which the US had adopted a remarkably rigid position, was by no means insignificant. The number of nuclear warheads on US submarines will be reduced to 1,750 — a cut of 50 per cent on the limits laid down in Start.

As both Mr Bush and Mr Yeltsin emphasised, the fact that an armed conflict between the two countries is now considered inconceivable made agreement much easier. The prohibitive cost of large nuclear arsenals, particularly for a country in such dire economic straits as Russia, also contributed to a rapid accord.

"We cannot afford it," the Russian leader said, bluntly. "Therefore we must have a minimum security level." The unanswered question, however, is what that minimum level is. Why did Mr Bush and Mr Yeltsin stop at 3,000 to 3,500 nuclear warheads each, more than enough to destroy their countries and populations several times over?

Even if it is accepted that nuclear deterrence has proved its worth by giving the world nearly 50 years of peace, most experts believe that the same result could be achieved at a much lower level of nuclear weapons than those just agreed. The other side of the coin is that the US and Russia are not concerned only with each other's nuclear forces. They have to plan for crises in which other nuclear powers — such as China, India and Israel — might be involved.

The US-Russian agreement also again raises the question of when other nuclear powers — such as Britain, France and China — should join negotiations on the reduction of nuclear weapons. The UK and France have refused to say exactly when that might be, stating merely that their forces are still insignificant compared to those of the US and Russia, even after the latest reductions.

However, the new US-Soviet agreement will put added pressure on Britain and France to follow suit in the field of strategic weapons.

IMF Moscow talks show conflicts over reform

By John Lloyd in Moscow

TALKS between the Russian government and the International Monetary Fund in Moscow on the implementation of economic reform are going slowly and show numerous points of conflict.

No agreement is thought likely before President Boris Yeltsin meets the leaders of the Group of Seven industrial countries in Munich on July 8, after the G7 summit.

The fund wants assurances that the Russian central bank has firm agreements with the central banks of the other 14 former Soviet republics on the

use of the rouble (still their common currency) before it releases \$8bn to stabilise the Russian currency. The Russian government wants to make the rouble internally convertible next month.

Other former Soviet republics, including Estonia and Ukraine, say they will introduce their own currencies soon.

The IMF also wants a firm commitment on the repayment of the former Soviet debt, for which Russia is now responsible. Russia is paying neither principal nor interest on the \$60bn-plus debt to Western countries.

How to shop for a business jet.

1. Look at the overall performance.

You buy a business jet to save time. But a fast cruise speed isn't the only way to cut travel time. Also compare climb rates and cruise altitudes. Jets that climb quickly to higher altitudes often get the quickest take-off clearance — which can save long waits on the ramp.

Some jets also can operate safely, and without noise restrictions, in and out of smaller airports with short runways. This can often get you much closer to your destination and save even more travel time. While sparing you the hassle of busy metropolitan airports.

2. Look at the operating cost.

Fuel usage is clearly a major portion of the total operating cost. So be sure to carefully evaluate the fuel efficiency of each business jet.

But there can also be significant differences in the cost of maintenance, because jets with complex systems are more costly to maintain. Simpler is better. Some jets even cost less to maintain than turboprops.

3. Look at the reliability.

Like most of us, business jet manufacturers don't like to spend unnecessary money. And the cost for warranted repairs comes right out of the manufacturer's pocket.

So the length of the manufacturer's warranty is a pretty good indicator of the aircraft's history of reliability, and of the quality of the product.

4. Look at the support network.

Ask about the number of service facilities. Ask if they are strategically located around the world for your convenience. Ask if they carry large inventories of spare parts. Most importantly, ask for a list of current customers for you to contact. And be sure to call them.

5. Look at the safety features and safety record.

While all business jets have a good safety record, some are simply outstanding. Check the record and look for important safety considerations, such as cockpit visibility, landing speeds, and handling characteristics. Single-pilot certification by the FAA is also an excellent indication of operational ease and safety.

6. Look at the technology.

New technology has made some of today's business jets safer, faster, more reliable, and less expensive to operate. But others still employ airfoils and aerodynamic ideas developed before 8-track tapes were invented. Ask for dates and details on aircraft technology.

7. Look at the cabin comfort.

Make sure a person seated in the back has the same head and shoulder room as someone seated in front. Some aircraft taper inward at the back of the cabin.

The best way to evaluate any business jet is on a typical business trip. During the flight, pay attention to the noise level. See whether you could conduct an in-flight business meeting comfortably.

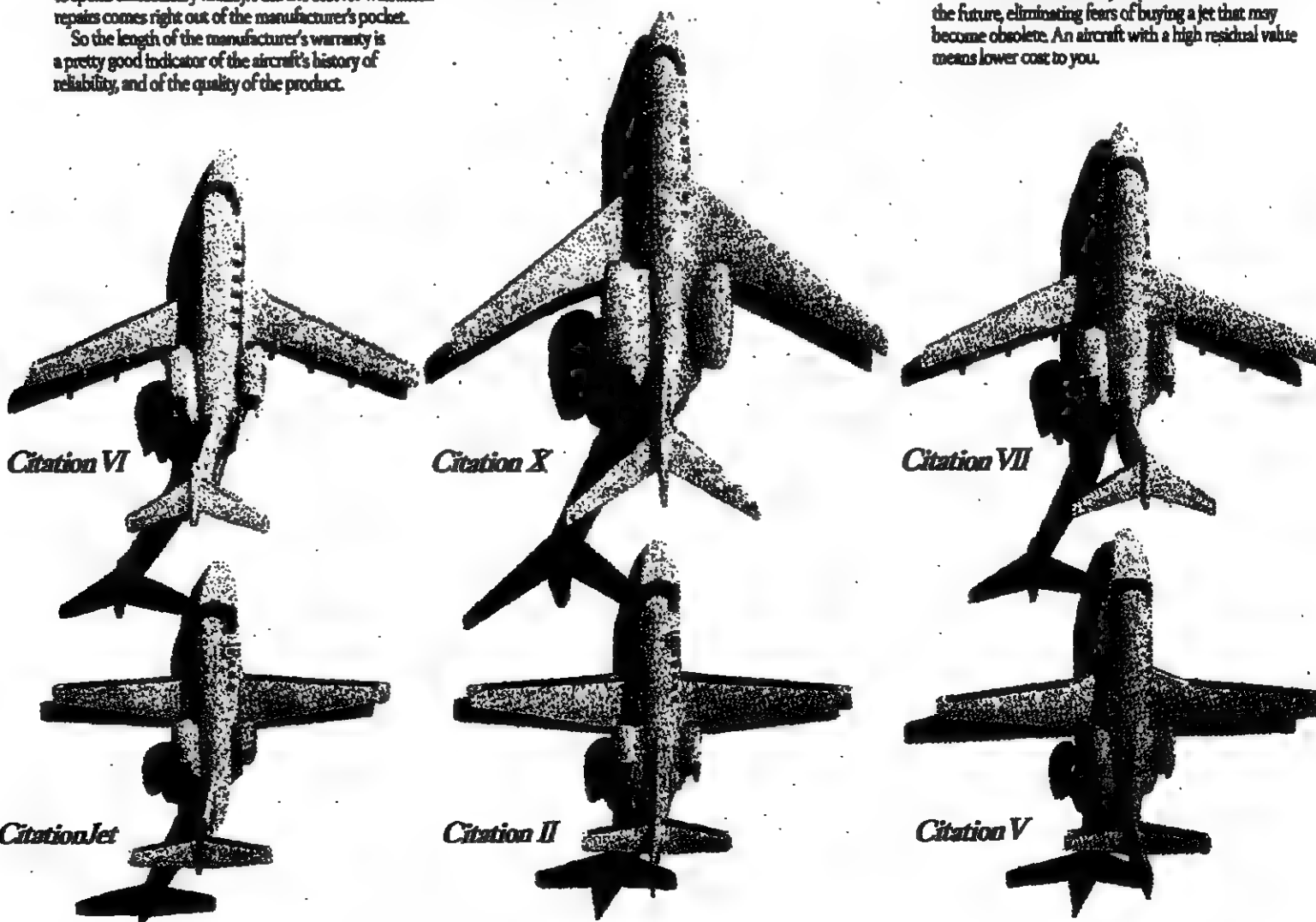
8. Look at the luggage space.

Like a car with a tiny trunk, a business jet with insufficient baggage space severely limits your flexibility and comfort.

Cubic footage tells part of the story. But the number can be misleading if the space is an odd shape. Look for a large compartment that's the same shape as your luggage — rectangular. And make sure bags can be loaded from outside, and don't have to be dragged through the cabin.

9. Look at the resale value.

Generally, the aircraft models with the largest worldwide fleets have the highest resale values. A large fleet ensures the availability of parts and service in the future, eliminating fears of buying a jet that may become obsolete. An aircraft with a high residual value means lower cost to you.



10. Look at the models everybody else is buying.

Look at the Cessna Citations. More than one of every two light and medium jets delivered in 1991 were Citations. The reason is simple. Businesses all over the world compared business jets for performance, cost of operation, reliability, safety,

cabin comfort, and all the rest. And nearly 60 percent of them bought Citations.

We invite you to do your own comparison. Using these guidelines — or any criteria you choose. We're confident that you will arrive at the same conclusion:

Citation business jets make the best business sense.

For more information, write to Ernest J. Edwards, Cessna Aircraft Co., Coworth Park House, Coworth Park, Ascot, Berkshire SL5 7SE. Tel: 44-344-873222. Fax: 44-344-27275. U.K. residents only: 0344-873222. Fax: 0344-27275.

The Sensible Citations



THE BIG LIE: INSIDE MAXWELL'S EMPIRE

Sins of the father



Only a small fraction of the £933m plundered by Maxwell is likely to be recovered. He will be remembered for this. But he did not run the empire on his own. During 1991 he had decreasing influence on a day-to-day basis. He came to rely on a small core of executives, and on his sons — Kevin and Ian. Bronwen Maddox reports

KEVIN MAXWELL hurried out of his office on the ninth floor of Maxwell House into its central reception lobby at 11.30am on November 5 1991.

Behind him the double doors leading to Robert Maxwell's vast office were closed. He turned into his brother Ian's office and asked the secretary to leave. On her way out she overheard Kevin say: "It's Dad."

One thousand eight hundred miles away, off the coast of Gran Canaria, a full-scale air and sea search was under way for Robert Maxwell, who had been reported missing from his yacht, the Lady Ghislaine.

"Give me 30 minutes to call the bankers," Kevin told Ernest Burroughs, then managing director of Mirror Group Newspapers (MGN), who was drafting a press release. Kevin — anticipating the urgent steps needed to save his father's empire — called Samuel Montagu, MGN's merchant bank, and Sir Michael Richardson, chairman of Smith New Court, stockbrokers to MGN and Maxwell Communication Corporation (MCC).

As the directors of MCC assembled at 3pm in Kevin's office for an emergency board meeting, an electronic message flashed across City dealing screens that MGN and MCC shares were suspended. A second message, 10 minutes later, told the world what the directors now knew: Robert Maxwell was missing at sea, feared lost.

"Kevin told me just before the board meeting that his father was missing," says Basil Brookes, MCC finance director, whose own departure had been planned for that day. "I agreed to stay and help. I didn't have the heart to say no."

The UK's clearing banks, which had financed the Maxwell empire, held emergency meetings with Kevin. "The lad was really upset," said one UK bank director that afternoon. "But there was tremendous dynastic loyalty. We are the Maxwells and it will carry on."

The week after Robert Maxwell's death his sons, holding press conferences and emergency bank syndicate meetings, attracted widespread sympathy.

Bankers, initially sceptical that two young men in their early 30s could carry the huge burden, discussed bringing in a senior accountant as a father figure. But they changed their minds. "It's an almost unimaginable weight on them, but I think they're going to make it," said one clearing bank director in admiration.

Behind the composure the problems were pressing. On Wednesday, the day after his father's death, Kevin told Swiss Bank Corporation that the private Maxwell companies were reneging on the promise he had given the week before to repay its \$27.5m loan.

On Friday, as the Maxwell family began leaving for the funeral on Jerusalem's Mount of Olives, half a dozen Swiss Bank executives were closeted with lawyers from the City firm Allen & Overy.

On Monday, 24 hours after Robert Maxwell was buried, Swiss Bank met the City of London police — and the Serious Fraud Office was called in to investigate the Maxwell empire.

Kevin and Ian inherited their father's empire for less than four weeks. On December 3 they were forced by fellow directors and banks to resign as chairmen of MCC and MGN. A month after Maxwell died Headington Investments, the parent company of the Maxwell empire, was put into administration under UK insolvency laws.

When the Maxwell empire collapsed it emerged that MCC, MGN and the Maxwell pension funds had been stripped of £933m in cash and assets. Only a small fraction is likely to be recovered. That is the legacy for which Robert Maxwell will be remembered.

However Maxwell did not run the empire on his own. Several of his directors and bankers say that during 1991 he had increasingly little influence on a day-to-day basis. He relied on a small core of executives, and on his sons Kevin and Ian.

Kevin had a particularly important role. Interviews with Maxwell directors and bankers show that he took day-to-day control of much of the financial planning and the complex treasury departments of many of the businesses for several years before his father's death.

Papers obtained by the Financial Times also reveal that Kevin signed — although he may not have known the implications — some of the documents authorising transactions that led to the loss of money from the Maxwell pension funds and public companies.

Part of the explanation for how Kevin appeared able to take on his father's largest companies so smoothly after the death was that

'The banks dealt with Robert for signings, but real discussion was with Kevin, for MCC and private companies'

he had already been carrying much of the burden.

In 1988 when Robert Maxwell recruited Jean Pierre Anselmini as MCC deputy chairman, Maxwell said: "I am 65, and I have two young sons in their early 30s. Join us and participate in their education for a few years."

The education was rapid. In early 1991 Maxwell promoted Kevin to chief executive of MCC and Ian to deputy chairman of MGN. The two were also directors of many parts of the Maxwell empire's "private side" — a tangled web of nearly 400 different companies — and directors of Bishopsgate Investment Management (BIM), the company managing much of the \$700m Maxwell pension funds.

Kevin was head of the larger company, valued in May at £1.2bn compared with MGN's £500m. It had become clear that Kevin was taking on the more financially complex jobs within the empire.

"Ian is a salesman, a marketing person, very good with people," says one MCC director. Peter Jay, the former British ambassador to the US who worked for Maxwell for three years as chief of staff, says that Ian "is a conciliator, looking for solutions". It seemed natural within Maxwell House that Ian would gravitate towards MGN, with the newspapers' need for marketing talent.

Ian also acted as his father's negotiator and envoy on many of the eastern European "investments" where — it has become even clearer in retrospect than it was at the time — profit was not a priority.

In contrast, Kevin took on much of the responsibility of running MCC. It was a formidable challenge, straddling the Atlantic, with huge

movements of foreign currency to manage and a debt burden of more than \$2bn. By 1990, according to MCC directors, he had also taken effective day-to-day control of the complex treasury department, under his father's authority.

Until late 1991 the treasury was shared by MCC and the private companies — although not the pension funds — and channelled much of the daily flow of millions of pounds between the Maxwell companies and their banks.

"How that young man dealt with all those issues is beyond me — he must have a brain like a Hewlett Packard," says one of Maxwell's main UK bankers. The Maxwell House joke was that managing directors were nothing; finance directors were king. By 1991 Kevin's financial skill had made him clearly the crown prince.

Kevin's importance in the organisation could not have been guessed from the nature of his office in Maxwell House. It was an unprepossessing room, only a third the size of his father's. Bare and L-shaped, it held only a desk and table and was lit by one narrow window.

Kevin's style was in marked contrast to that of his father. An analyst for the Maxwell finance department says: "He hated anyone who was excitable or who got agitated, and it was very obvious he was trying to be different from his father." Both Maxwell sons, however, were capable of their father's customary flashes of anger and extreme rudeness.

Kevin and Ian were also subject to their father's extreme disruptiveness. Les Williams, one of the office managers, remembers that Kevin, under orders from his father, once moved his wife Pandora and his children from London to New York — only to be pulled back to London after three weeks.

Maxwell would also shout at both sons in public, which onlookers found deeply embarrassing. He would shout: "You're a fool, you're such an idiot, how can you give that answer?"

Many of the directors found Ian easier company; Kevin's intensity and preoccupation with the figures led one Maxwell House aide to regard him as a "dedicated accountant". He was distant from many of the publishing executives.

Instead, Kevin was closer to the finance executives. Brookes, at 33 the same age as Kevin is now, says: "I felt for him, the way the old man treated him. We went to football together. One day he said: 'What's your team?' I said Blackburn, so he arranged for me, arranged for parking for me. He said: 'Don't tell my father we're here — I've told him you and I are sorting out the working capital this afternoon.'"

Many, however, commented on his extraordinary self-possession. "Kevin is unbelievably cool," says one MCC director; a bank director adds: "Quite extraordinary sangfroid."

As Maxwell became progressively less involved in the day-to-day running of the businesses through 1990 and 1991, it was Kevin who took on the burden.

He was the regular point of contact for the banks as the financial strains on the empire increased. "The banks dealt with Robert Maxwell for signings, but real discussion was with Kevin, for MCC and private companies," says one UK clearing banker.

He adds: "We could always get hold of Kevin, but given the pressure the boy was under it was hard." Another bank's senior director confirms: "He was not one to avoid phone calls. He would always call back, even if it was at midnight."

The banks were clear about the centrality of Kevin's role. One director comments: "The others didn't realise the whole picture. They would say: 'We must refer this to Kevin.'"

During the summer the pressure intensified. One banker says: "We were concerned about his [Kevin's] health. He was working seven days a week, 25 hours a day. He was being strategic director, he was being treasurer, assistant treasurer, assistant assistant treasurer."

Maxwell had kept the inner core of executives small. A finance department analyst says: "Kevin kept trying to involve more people in running the company, but his father kept refusing to let him."

One of the administrators to the Maxwell empire, surveying a map of MCC's astonishing total of 400 sub-



Boxing clever: Kevin and Ian remove their belongings after resigning their chairmanships

sidaries next to the 400 private Maxwell companies, recently said in wonder: "When you think of it, 800 companies were run by a man and a boy."

With that central role in his father's empire, how much did Kevin know? On resigning as chairman of MCC on December 3 Kevin said: "My father had a style based on a need-to-know basis."

It is clear his father kept ultimate authority for many of the financial decisions in the empire. It is also clear, however, from documents obtained by the Financial Times, that Kevin was closely involved in many of the transactions that are now seen to be central to the eventual removal of money from the public companies and pension funds. He was also central to some that are now the focus of the SFO's investigation.

Through his day-to-day control over the treasury department and as an MCC director Kevin was closely involved in the loans made by MCC to the private Maxwell companies in 1991.

Loans of cash from MCC to these private companies reached a peak of \$300m in July. Kevin's signature was on at least 11 of these transfers of cash, totalling £145m. The signature was always accompanied, as required, by another director's, and the transactions were not illegal. However MCC's loans to the private Maxwell companies provoked intense rows during August between the Maxwells and the other MCC directors.

One of the most controversial episodes, which some MCC directors and bankers now concede might have alerted them to the looming problems, was an extraordinary pattern of highly irregular foreign exchange dealings through the treasury in July.

During three weeks MCC traded in tens of millions of pounds of foreign currency with some 30 of the world's biggest banks. In most cases it paid for the currency late; the condition for such spot deals is that they are paid within hours. The effect was to give it a three-week unofficial "loan" of around £100m. Copies of the bank authorisations show that some of the foreign exchange deals were authorised by Robert Maxwell and the dealing conducted by Kevin; some were authorised by Kevin and dealt by junior treasury officers.

One of the Serious Fraud Office's investigations focuses on an alleged scheme to support the share prices of MCC and MGN.

The collapsing share price of the two companies was draining away

the what was left of the Maxwell's empire's lifeblood. Investigators have now discovered that the private companies routed some \$300m — obtained from many different routes through the empire — to secretive Liechtenstein and Swiss trusts which then bought MCC and MGN shares.

A letter and a corroborating fax show that Kevin Maxwell was intimately involved in the purchase of 9m MCC shares by Yakosa, a Swiss trust, and a further 16m shares by Servis, another Swiss trust — both of which have said they are independent of the Maxwells.

On May 28 last year, Kevin Maxwell sent a signed fax to Goldman Sachs, the US bank, saying that the shares would be bought by the trusts with \$55.33m provided by BIM, a Maxwell private company. Goldman's lawyers say the firm acted properly.

The SFO is investigating whether Robert or Kevin Maxwell breached the Companies Act by failing to disclose the purchases of the shares by the Swiss trusts; if either had a financial interest in the trusts, the purchases should have been disclosed under company law, because the Maxwells were both directors of MCC. The trusts' lawyers have said that they are independent.

Documents show that Kevin Maxwell was closely involved in the management of "stockpiling" from the pension funds. Stockpiling is a legal and common practice whereby pension funds lend out their assets for a few days or weeks to other financial institutions as a way of boosting their income.

In retrospect, however, it is clear that stockpiling from the Maxwell pension funds was highly unusual, particularly during 1991. This was partly because of the length of time for which the stocks were lent, and partly because the pension funds were not always adequately protected.

The main way the Maxwell pension funds were eventually stripped of assets was through stockpiling to Maxwell's private companies which could not pay them back.

A memo to Kevin Maxwell from Larry Trachtenberg, a director of private Maxwell investment companies, is dated December 17 1990, nearly a year before Maxwell's death. Headed: "Outstanding items and action for week commencing 17.12.90," it reminds Kevin to send letters to Capel Cure Myers and Invesco MIM, the investment houses which managed some of the Maxwell pension money. Trachtenberg says the letters "request that we roll over the stock borrowing

positions until \$1.91. As we have agreed the BIM pension management company year end is not until April 5 so this should not cause a problem."

The significance of this is partly that it suggests that Kevin had some responsibility for dealing with the Maxwell pension money and for negotiation of stockpiling arrangements with banks and investment managers.

One of the most controversial

'How Kevin dealt with all those issues is beyond me — he must have a brain like a Hewlett Packard'

actions by both Kevin and Ian emerged in the weeks immediately after their father's death; the issue of Berlitz, the international language instruction company. Berlitz was a central part of why the MCC directors turned against the Maxwell brothers.

Brookes says: "Kevin's attitude after his dad died was: 'Let's sort it out and worry about who did what later.' That's why Coopers & Lybrand Deloitte [the accountants in charge of estimating the empire's financial position] wanted to keep him on and why we could work with him, at first."

On November 7, two days after Maxwell's death, MCC announced that it had agreed to sell its 56 per cent stake in Berlitz to Fukutake, the Japanese publisher. The prospect of \$265m flowing into MCC was welcomed by bankers.

Just under two weeks later, however the MCC board was plunged into bewilderment and anxiety.

According to Brookes, that day Kevin told the MCC board that 1.9m of MCC's total of 10.6m Berlitz shares "were not where they should be". It emerged that they had been already pledged to banks to raise loans for private Maxwell companies — the private companies had in effect appropriated an MCC asset.

Brookes says that he had no idea that this had been done. It was an explosive issue for the MCC board because MCC had nearly \$2bn of debt, its "jumbo loan", famous in

banking circles. One of the conditions of the loan was a so-called "negative pledge" — a promise that MCC would not sell or mortgage assets of more than £10m without the permission of the banking syndicate.

Brookes asked Kevin if any other share certificates were missing. Kevin replied: "Could you make sure there aren't?"

Brookes now says: "In fact we couldn't have checked." Some of the shares had been transferred to a company in the heart of the Maxwell labyrinth of private companies — Bishopsgate Investment Trust. It is similarly named, but entirely distinct from Bishopsgate Investment Management, the pension management company.

Brookes says: "We had no way of tracing them once they had gone into BIT; no one else but Kevin was a director of both." Later, it was revealed that some of the shares had been transferred to BIT a year earlier — in November 1990.

The issue of whether the transfer of the Berlitz shares to BIT was improper is not clear-cut. Nor is it clear whether, when BIT later pledged the shares to banks for private Maxwell company loans, this was a breach of MCC's bank covenants. What is clear is that Kevin knew about the pledging of the shares long before his father's death and knew that, therefore, they could not immediately be sold to repay MCC's debt.

The same memo from Trachtenberg to Kevin discusses — as long ago as December 1990 — whether shares in "BITZ", believed to refer to Berlitz, could be used as security for bank loans.

A signed letter from Kevin to Lehman Brothers International, the US bank, dated September 20 1991, also confirms the "transfer of 1.37m shares in Berlitz from ourselves (BIT) to yourselves... by way of security for the loan of \$117m United States Treasury Bills from Lehman to BIM".

On Sunday November 24th MCC's US lawyers discovered that 2.4m more Berlitz shares were missing. Documents dated November 13 1991 — eight days after Maxwell's death — were signed by Ian Maxwell and Trachtenberg and confirm the pledge of 2.4m Berlitz shares to Swiss Volksbank, in return for a \$65m loan.

Some of the banks who received pledges of shares are now claiming the right to keep the shares — making the sale to Fukutake impossible. The pledging of Berlitz blasted a \$144m hole in MCC.

On Sunday December 1, at a meeting of all the Maxwell bankers, Coopers announced that they had uncovered a hitherto undetected pattern of loans within the empire.

The private companies — now effectively bankrupt — owed MCC, MGN and the pension funds hundreds of millions of pounds which would never be repaid.

The next morning, MGN and MCC shares were suspended a second time on the stock market. A fax from MCC's US office slid on to Brookes' desk. It revealed Kevin's signature before Maxwell's death, arranging the pledging of Berlitz shares — and the signatures of Ian and Trachtenberg after his death.

One MCC director says: "I had thought Kevin was on our side but after this I realised what we had in our middle."

Kevin rang Anselmini at his Paris home late that night. According to Anselmini he said: "It is being said we are responsible for hundreds of millions of pounds missing. I cannot go into explanations, but I did not want you to know from the press or the other directors. Also, the banks are demanding that my brother and I quit. Could you call them and see if they can be persuaded?"

Anselmini soon called Kevin back. He had discovered that it was the other directors more than the banks who wanted him out.

Peter Laister told Kevin the directors wanted him out.

On the morning of Tuesday 3rd December the Maxwell brothers resigned their chairmanships of MCC and MGN.

That evening they moved their offices. After his father's death, Ian had moved from Maxwell House's ninth floor to the adjoining MGN building — but he now moved to an office on the south side of Maxwell House's sixth floor, one of the private Maxwell company suites.

Kevin moved down from the ninth to join him, taking an office on the north side. Trachtenberg had an office between them.

Maxwell House staff helped the boys move during Wednesday. The brothers took their personal possessions out of the offices, their word processors together with their electronic files, and some papers.

On December 4 Brookes circulated a memo in Maxwell House prohibiting the shredding of any documents. The following day the Maxwell private companies went into administration under UK insolvency laws.

MCC struggled on for 11 days, but finally on December 16 filed for administration under UK and US insolvency laws. One MCC director says: "It was both the money loaned out of the bank account that finished us off — and Berlitz."

The SFO subsequently announced that it was launching five separate fraud investigations into the collapse of the Maxwell empire. Meanwhile Kevin Maxwell has attempted to keep trading. One of his friends commented that he is obsessed with making a comeback, as his father did. He has told friends: "Nothing in your life prepares you for fighting for your own survival."

Bishopsgate Investment Trust plc

Maxwell House, 8-10 New Peter Lane, London EC2A 3DF
Tel: 0453 2141-1450, 240000 Fax: 0453 214150

20 September 1991

Lehman Brothers International Limited
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LONDON
EC2M 2EA

Dear Sirs

Bishopsgate Investment Management Limited - Loan of US\$127,000,000 United States Treasury Bills Face Value

We hereby confirm the transfer of 1,370,000 ordinary shares in Berlitz International Inc. from ourselves to yourselves in full of security for the loan.

Yours faithfully,
Kevin Maxwell

Enclosed under the Common Seal of Bishopsgate Investment Trust plc

Document, signed by Kevin Maxwell, confirms the transfer of Berlitz shares from a private Maxwell company to a US bank

The FT's team of journalists has interviewed more than 150 people in 13 countries. The team led by Bronwen Maddox included: Ian Jackson, Jimmy Burns, Raymond Snoddy, Robert Peston, Andrew Jack, Norma Cohen, Richard Gourlay, Daniel Green, John McManis, Hugh Camery, Ian MacIntyre, Ian Rodger in Moscow, Loya Boulton in New York, Alan Friedman

TOMORROW PART 3:
Nowhere to run

Britain ties economy to European policies

By Peter Norman
and Emma Tucker

THE British government yesterday pledged to stick to the economic policy goals of low inflation and sound public finance enshrined in the Maastricht treaty despite the Danish rejection of European economic and monetary union.

Speaking shortly after the release of mildly encouraging industrial production and retail sales data, Mr Norman Lamont, the chancellor, held out the prospect of "lower pay settlements leading to lower earnings growth" and British industry entering a "virtuous circle of low inflation, rising competitiveness and increasing market share".

In a speech to businessmen he indicated that this achievement could take a long time. He drew a parallel between conditions in the UK and France, which in 1983 embarked on a tough counter-inflation policy and now has one of the industrialised world's lowest inflation rates.

In France "years of tight monetary and fiscal policy...are beginning to pay off", the chancellor said. "It has been done the difficult way, but that is the only way." Mr Lamont did nothing to encourage

inquiries from prospective home buyers have risen but sales are taking a long time to complete and many would-be purchasers pull out at the last minute, according to a survey of more than 100 estate agents.

The Royal Institution of Chartered Surveyors' survey said: "Despite increasing levels of buyer interest across the country, we are still a long way from any sustained improvement in the housing market."

age recent speculation that the government might be planning to cut UK bank base rates from their present 10 per cent. Instead he reaffirmed its determination to take sterling "in due course" into the narrow bands of the European exchange rate mechanism (ERM) at a rate of DM2.5.

While he was careful not to commit the UK to eventual membership of a single European currency zone, he laid stress on Britain's commitment to the ERM and the economic convergence criteria of the Maastricht treaty. The "conquest of inflation" was at the centre of UK economic policy, he said. The government was

beginning to break the inflation-prone mentality that had "dogged Britain for decades".

Mr Lamont said the past 18 months had been "extremely difficult". But he predicted that people would see that the right decisions were taken.

Nonetheless, Mr Lamont said he was encouraged by yesterday's news that manufacturing output had risen in April for the third successive month and that retail sales had increased slightly in May.

Figures from the Central Statistical Office suggested that the Tory election victory had failed to trigger a spending boom with consumers reluctant to spend in the face of rising unemployment and depressed conditions on the housing market.

Compared with the previous three months, retail sales volumes were virtually unchanged in the three months to May 31 and were down 0.3 per cent compared with the same period a year ago.

Although last month's increase was the second consecutive monthly rise, the three-monthly trends suggest that British consumers are still reluctant to spend.

Lex, Page 18
NFC results, Page 18

Mirror Group executives step down

By Raymond Snoddy

THE BOARD of Mirror Group Newspapers (MGN) yesterday announced that Mr Ernest Burrington had stepped down as chairman of the popular newspaper group. Mr Burrington, former editor of The People, who is 65, will stay on as a non-executive director until the company's annual meeting in July.

He has been replaced by Sir Robert Clark who has been deputy chairman since December.

At the same time Mr Lawrence Guest, finance director of MGN, who has worked at the group for 30 years has resigned as a director and will be leaving the company.

Sir Robert expressed sadness at the resignation of Mr Burrington who joined the com-

pany in 1950 and paid tribute to Mr Guest as a "most loyal and committed member of the company".

It is almost certain that the resignations were sought and the news that they would be leaving came as a surprise to both men.

The decision was taken at meetings of the other directors on Tuesday and Mr John Talbot, the Arthur Andersen administrator to the Maxwell private interests was consulted before the decision was implemented. A group of banks effectively controls the 54 per cent of MGN that used to be owned by Maxwell private interests, because the shares were pledged to support loans.

No impropriety of any kind was alleged against either Mr Burrington or Mr Guest. It is clear, however, that at least

some of their fellow directors felt they had not acted decisively enough when the first hints of possible irregularities surfaced last August.

Others said that their ousting was more of a coup by the younger operational directors keen to make a break with the past and that the decision had been taken "to throw a few Christians to the lions".

MGN will next week issue accounts detailing officially for the first time the financial state of the company and the pension funds. A relisting of MGN's suspended share price is also being sought. There is likely to be a considerable delay in the sale of the group which includes the Daily Mirror, Sunday Mirror, People, Scottish Daily Record and Sunday Mail.

All Mr Talbot, the admini-

trator, will say is that there are no plans to sell the company but that the issue will be kept under review.

Following the appointment of Department of Trade and Industry inspectors to look into MGN affairs and in particular the flotation it could be well into next year before there is any sale.

Soon after taking over as chairman in December, following the death of Mr Robert Maxwell, Mr Burrington expressed disgust at what his former employer had done.

"Robert Maxwell didn't just put his hands on the money of the banks which can look after themselves but on the money of the common man and his missus," said Mr Burrington in a reference to the fact that Mirror readers were invited to buy shares in the company.

MEPs seek a 'Citizen's Charter' for Europe

By Ralph Atkins

CONSERVATIVE Members of the European Parliament (MEPs) yesterday increased the pressure on Mr John Major to tackle opposition to Maastricht by adding a protocol that would ensure decisions are made at the lowest possible level of government.

At an hour long meeting at Downing Street, the MEPs supported the prime minister's determination to press ahead with ratification of the treaty. But they urged him to work for a "Citizen's Charter" for Europe based on decentralisation of decision-making from Brussels.

Sir Christopher Prout, leader of the Tory MEPs, said Mr Major had been "upbeat" about the proposals. The MEPs were also anxious to ensure a positive message by Tories in the 1994 European elections - in contrast to the party's poor performance in 1989.

Sir Christopher said the UK government in its presidency of the EC from next month, ought to carry through the idea ministers have floated of a protocol reinforcing the principle of "subsidiarity". It was winning support in the European parliament, he said.

A protocol would have to be binding on all EC members, even though that would require a technical negotiation of the treaty, Sir Christopher said. He suggested work on the protocol would not need to start until the 11 countries, other than Denmark, had ratified the treaty.

Sir Christopher reiterated Mr Major's pledge to put Britain at the heart of Europe, in spite of the row over Maastricht. "If we just stand aside it will become the thing we most fear - a centralised Europe," he said.

The meeting counter-balanced pressure on Mr Major from Conservative Euro-sceptics in the Commons, highlighting the spread of views across the party.

Welsh and Scottish nationalists, however, warned yesterday that a protocol on subsidiarity could lead to them voting against the legislation ratifying Maastricht when it returns to the House of Commons in the autumn. Together the parties have seven MEPs who could be crucial if the vote is close.

Scottish Nationalist Party and Plaid Cymru MPs are worried that a subsidiarity protocol would prevent any moves towards decision making on a regional level.

Factory output edges up

By Emma Tucker,
Economics Editor

THE 0.3 per cent rise in manufacturing output in April continued an upward trend that began in February and was broadly based across manufacturing's seven sectors.

The monthly increase meant that growth in the three months to April was 1 per cent compared with the previous three month period although compared with a year ago, was 1 per cent lower.

The Central Statistical Office said the highest growth was in metals and the "other manufacturing" sector which includes plastics, paper, printing and publishing.

Every component of the consumer goods industries experienced growth with the sector overall growing by 1.8 per cent in the three months to April.

The most marked improve-

ment was in the production of cars. Output in this sector rose by 9 per cent compared with the previous three month period and by 3 per cent compared with the same period a year ago. Clothing and footwear grew by 2.6 per cent on the previous three months.

Within the engineering sector, which accounts for over 40 per cent of manufacturing, output of motor vehicles - cars and commercial vehicles such as lorries and buses - rose by 7.3 per cent in the three months to April compared with the previous three month period. Mechanical engineering fared less well falling by 1 per cent in the three months to April, as did aerospace and shipbuilding production which contracted by 3.9 per cent on the previous three months.

The chemicals industry continued to thrive although the 0.3 per cent three month on three month growth was the lowest for a year. A buoyant pharmaceuticals industry meant that the sector had the most robust annual growth - almost 4 per cent - within manufacturing industry.

Output of investment goods continued to fall. Production was down 4.8 per cent on a year ago and down by 0.8 per cent on the three monthly comparison.

A sharp fall in North Sea oil and gas production in March meant that overall energy output in the three months to April was 2 per cent lower than in the previous three month period.

The CBO, however, said that the index of energy output in the first quarter had been revised upwards which would affect the revision of first quarter GDP growth. This was provisionally estimated to have fallen by 0.6 per cent.

Endangered species: A keeper watches a rhinoceros at London Zoo yesterday

London Zoo to close in September

LONDON ZOO, the world's oldest zoo and formerly one of the capital's top tourist attractions, will close in September unless a private backer can be found, writes Bethan Hutton.

The zoo, at Regent's Park, has been in financial difficulties for some time. Its demise was announced last year, but after a cost-cutting programme it broke even in March this year and cancelled closure plans. However, attendance figures have continued to fall to 30 per cent below target and

the zoo has a deficit of £1m on annual running costs.

Sir John Chapple, president of the Zoological Society of London which runs the zoo, said: "Sadly, the closure of London Zoo is now the only option facing us that will ensure the survival of the society as a whole." A government bail-out is unlikely. Last year it refused further grants, and told the zoo to put its house in order. The zoo has cut jobs over the past few years, and the remaining 160 staff are

likely to be made redundant.

As a royal park, the zoo is technically the property of the Queen, but is managed by the Ministry of National Heritage and leased to the society for a peppercorn rent. Options for the 36 acre site are limited by usage regulations. The ministry said there was "no question at all" of office or residential development.

Nine listed buildings need repairs estimated at £15m. Under the terms of the lease the society is responsible for

repairs, but last year the government agreed to assume the responsibility if the zoo surrendered the site. The heritage ministry is not bound by planning regulations, but said it would seek planning permission if it decided to demolish one of the buildings.

Dr Jo Glippe, curator, said it would take six months to find homes for the animals but none would be destroyed. Some may be moved to the society's other site at Whipsnade Wild Animal Park.

Dutch insurer rules out credit price war

By David Dodwell,
World Trade Editor

AN EXPORT credit price war in the UK has to be avoided, Mr Harry Groen, head of NCM, the Dutch credit insurer that recently acquired the short-term credit arm of Britain's Export Credits Guarantee Department (ECGD), said yesterday.

Mr Groen said that under Dutch management the ECGD would be "focused on increasing the market rather than picking up bits of the business of our competitors".

The ECGD is the former state agency responsible for granting credit insurance to exporters.

Mr Groen's statement comes just two months after NCM launched a domestic credit insurance policy warning. It said then: "We haven't entered this market to be a marginal player."

Yesterday, however, Mr Groen said: "We are not prepared to enter [the UK market] in a cut price kind of way."

The statement is likely to be welcomed by the beleaguered Trade Indemnity (TI) the market leader with 83 per cent share. TI has been hard hit by claims resulting from the recession over the past two years and announced pre-tax losses of £46.6m for 1991.

Mr Groen, meanwhile, said radical changes were likely in Europe's export credit insurance market this year, triggered by the expected release next month of European Commission proposals for all "marketable" risks to be handled by private sector insurers.

This is likely to include all policies up to three years, and will exclude political risk, which will continue to be at least reinsured by national governments.

These proposals have drawn concern in France and Germany, where government agencies still manage short term export insurance, but are likely to be welcomed by NCM, which has been offering such insurance cover since 1983.

Unions win clearance for merger

By Michael Smith,
Labour Correspondent

THE CREATION of the biggest public-service union in Europe, with 1.4m members, became a virtual certainty yesterday when leaders of Nalco decided attempts to wreck a planned merger with two other unions.

Delegates to Nalco's annual conference debated a series of motions aimed at ending or delaying the amalgamation with the Nupe public-service union and Cobse health union, which is planned to take effect from July next year.

Nalco's conference had been viewed by leaders of all three unions as the last and potentially most serious threat to "final proposals" for amalgamation drawn up this year.

Its backing, with the earlier support of the Nupe and Cobse conferences, means the proposals will go to a ballot of members at the end of the year. It is highly unlikely that members would vote against the advice of their leaders.

Lloyd's rescue plan runs into difficulties

By Richard Lapper

PLANS TO set up a bail-out fund to help Names hardest hit by the losses at Lloyd's of London are running into difficulties and could be abandoned.

An emergency meeting of the Lloyd's council, the market's governing body, was held yesterday to discuss a number of schemes. The council will announce its conclusions today but a Lloyd's official admitted that a bail-out plan "is looking less and less likely".

The purpose of a bail-out would be to cap the losses of Names - the individuals whose assets support underwriting - who have been worst affected by Lloyd's recent losses, which are projected to reach £2bn in the 1999 underwriting year. In line with Lloyd's three-year accounting

system, these figures will be announced next week.

Officials working on the scheme are understood to have been unable so far to solve complex legal and practical difficulties.

A minority of market's Names, who are members of "spiral" reinsurance syndicates - which provided high level catastrophe cover to other syndicates and companies - face a disproportionate share of the market's loss.

Chatset, the company which tracks the results of Lloyd's syndicates, says that Names on just 15 of the 401 syndicates trading could face losses of \$948m.

A decision not to help them will be bound to stir controversy ahead of the society's annual general meeting next week.

Britain in brief



Government to respond on Shirayama

The government has promised an early statement on the future of County Hall just three days after Japan's Shirayama Corporation threatened to pull out of a deal to buy the former Greater London Council headquarters.

Mr John Redwood, environment minister, said a statement would be made in the near future. Shirayama - facing a vigorous campaign against its proposals by the London School of Economics (LSE) which wants to relocate to the site - has warned it would withdraw unless the government clarifies its stance on future development.

Shirayama, which bought the site from the London Restitutory Body - the organisation responsible for winding up the affairs of the GLC - some three months ago, plans to turn the building into a hotel and leisure complex.

technics and higher education colleges increased by 69 per cent, while numbers at universities rose by only 18 per cent.

Targets missed on training

Take-up of the government's pilot "training credits" scheme for young people has fallen below target in its first year, a Department of Employment evaluation has found.

About 60 per cent of eligible 16 and 17-year-olds have started to use their credits, compared with the government's original target of 65 per cent for the first 12 months of the scheme.

Under the scheme young people can exchange vouchers with an average monetary face value of £1,500 for training with an employer or training organisation.

Iata warns of 'meltdown'

Europe's air traffic could suffer "meltdown" this summer with pilots and aircraft stranded in the wrong airports as a result of too much demand for air-space, according to a senior official of Iata, the International Air Transport Association.

Mr Norman Jackson, the technical director, said: "It doesn't take much of an industrial problem or technical hitch to cause serious disruption."

Iata's warning came after it sent a report earlier this month to Eurocontrol, the government backed air safety group based in Brussels, on difficulties with congestion over European skies.

Polys admit more students

The number of students admitted to degree courses in polytechnics rose by nearly a quarter last year alone, making an increase of more than one third in the last two years, according to official figures.

The Polytechnics Central Admissions System annual report shows an increase of 23.3 per cent in the number admitted for degree courses, with an 18.3 per cent increase in numbers starting on Higher National Diploma courses.

Polytechnics are bearing the brunt of the current expansion of higher education. In the 1980s as a whole, the number of full-time students in poly-

This has not happened and Sotheby's says its future work will be removed from 19th century European auctions and return to their own specialist catalogue.

Flat beer

Beer sales were nearly 3 per cent lower in March than in the same month last year, according to the Brewers' Society. The market remained depressed though a sharp rise in imports boosted the month's total production by 0.5 per cent to 3m barrels. First quarter production of 8m barrels was about 1 per cent below output in the same period last year.

BBC raises pay offer

The BBC has slightly increased its offer to more than 25,000 staff to 4.1 per cent, slightly below the rate of inflation. The corporation's initial offer was 3.7 per cent. The new offer includes a minimum increase of £350 a year and an increase in London weighting to £2,200.

Miners to lose pit fight

The bid by redundant miners to buy Thurncroft colliery in South Yorkshire appears to be doomed after British Coal said the miners' offer to pay less than one-third of the cost of keeping the mine mothballed was unacceptable.

Union likely to drop campaign

The health service union Cohse looks set to drop its campaign against self-governing hospital trusts. The move would mean the 200,000-strong union, which represents about 20 per cent of health service staff, accepting the end of centralised collective bargaining in the NHS and concentrating on local deals. It would remain opposed to the principle of trusts.

US-style plea bargaining urged for courts

By Robert Rice,
Legal Correspondent

THE Bar Council, the governing body for barristers, yesterday called for the introduction of a formal system of plea bargaining in England and Wales.

A system under which the judge indicates the likely sentence if a defendant pleads guilty and does not opt for a contested trial would cut delays and improve the efficiency of the Crown Courts, the Bar says.

This type of arrangement is common in the US but remains illegal in England and Wales, although not all forms of plea bargaining are outlawed. Arrangements by which the prosecution agrees not to proceed with a more serious charge if the accused pleads guilty to a lesser offence are quite common.

The difference between these arrangements and the US system is that no guarantees are made in the UK in respect of

Law Society warns of cash threat to training

The solicitors' profession is in danger of becoming limited to those with private means, the Law Society warned yesterday.

In a letter to Mr John Patten, education secretary, Mr Philip Ely, the society's president said the collapse of the discretionary grant system on the profession's finals course amounted to a "pre-qualification means test".

The College of Law, the largest provider of solicitors' finals courses, has told the society that the proportion of its income attributable to fees paid by local education authorities in England and Wales has halved over two years. The number of local authorities paying fees in full has declined similarly. The society calls on Mr Patten to make it mandatory that local

authorities provide grants for the finals course.

Mr Ely said trainee solicitors are further disadvantaged by being excluded from two government schemes introduced recently.

Courses leading to professional qualifications have been excluded from the arrangements for tax relief to be given on the costs of vocational training; and, as the finals course is a postgraduate course, students are denied access to loans at favourable rates of interest offered by the student loan company.

The consequences "will be a narrowing of the social base from which the profession is drawn with a consequential reduction in confidence in and access to justice. That cannot be in the public interest", said Mr Ely.

pressure on defendants to plead guilty.

Safeguards could be introduced to protect the defendant's rights. All discussions on the deal should take place in the presence of the defendant and his legal advisers; discussion should be recorded; and indications of sentence should be made in court.

The report recommends the defendant's view that plea bargaining would impose "improper" confidence.

At the moment it says defendants who know they are guilty will opt for trial and take a chance that a jury may acquit them.

The Bar rejects the Appeal Court's view that plea bargaining would impose "improper"

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MANAGEMENT: MARKETING AND ADVERTISING

The emerging consumer markets of central Europe have provided challenges and surprises for western companies, says Guy de Jonquières

Selling petfood for \$1.50 a can might seem a thankless task in a country where monthly incomes average \$150 (€82). But Mars, the US-owned manufacturer of Pedigree, Whiskas and chocolate bars, has found a way.

"We tell our sales people to convince shopkeepers to open a can of petfood and taste it. Then they usually agree to stock it," says Andrzej Sawarc, national sales manager of DMS, a Warsaw company which handles Mars' sales and marketing in Poland.

Sales of Mars' petfood are now booming, says Sawarc, who knows one old lady who regularly shares a can with her cat. "And in all-night convenience stores, Whiskas is selling rather well with alcohol," he says.

Though few western companies have resorted to quite such unorthodox sales methods in central Europe, most have found that the region's emerging markets present challenges and surprises to which conventional marketing textbooks offer few solutions.

At first sight, the task seems deceptively easy. Consumers are eager for western products and many already knew of western brand names from watching western television long before the collapse of communism. Since then, consumer imports have flooded in and the region's nouveau riche classes have flocked to buy anything with a designer label.

White goods manufacturers Electrolux and Philips-Wahlpool say one of their best-sellers in Hungary is microwave ovens, almost unknown in the country two years ago.

However, this commercial bombardment risks back-firing by antagonising consumers who have not before faced the full blast of Madison Avenue techniques and are bewildered by the region's hunching progress towards free markets.

Many foreign products in the shops have been dumped or imported illegally by middlemen interested in a quick profit, not in building a long-term business. Quality is often variable, deliveries erratic and pricing unpredictable. Rafael Lopez-Aparicio, general manager of food in Hungary, says the result is confused consumers.

Michał Olszawski of Research International, a mar-

Poles discover petfood is the cat's whiskers

ket research firm, believes uncontrolled and indiscriminate imports have hurt the image of western brands.

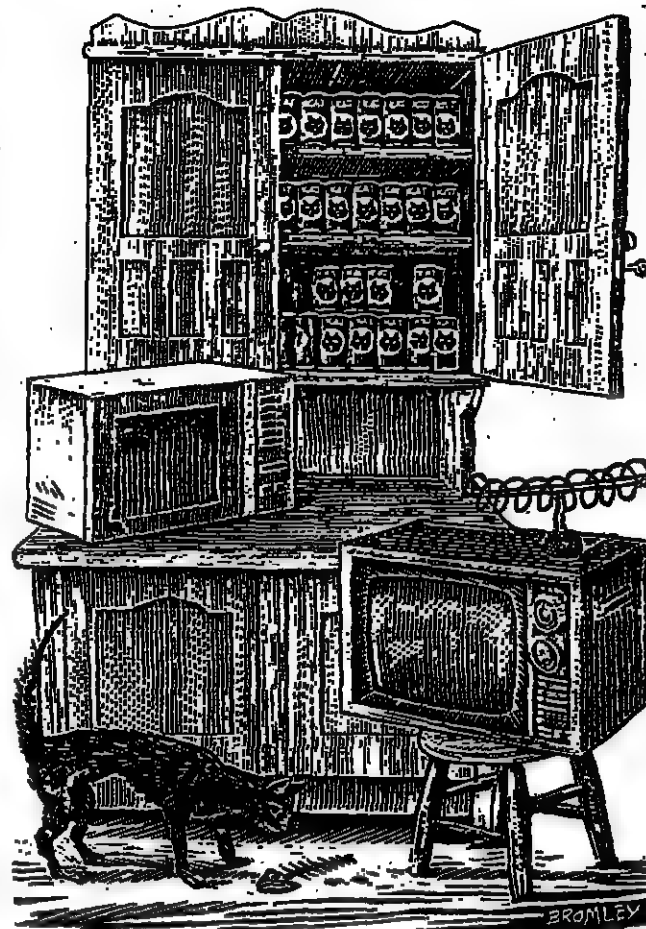
Building brand loyalty is a high priority for most western companies - and reaching mass markets is not difficult. In Poland and Hungary more than 90 per cent of homes have televisions and, despite recent rate increases, air time is relatively cheap.

The problem is choosing the message. "We aren't yet very clear about consumer habits," admits Andrzej Mico, head of Unilever in Hungary. "Western products are perceived as better, but that doesn't mean you can sell anything."

Many companies have plunged in with western-made commercials for western products - with mixed results. In Poland a commercial for Coca-Cola, a Spanish chocolate drink, which featured a muscular black athlete, went down so badly that the product almost vanished from the market.

Procter & Gamble's heavy promotion of Vidal Sassoon's Wash & Go backfired in Poland when sales fell on rumours that the shampoo-conditioner caused hair loss. P&G's candid peak-time commercials for Allways, a sanitary tampon, have also proved controversial, while recent newspaper advertisements headlined "We respect the Poles" were regarded by many as condescending.

The company's commercials for Tampax and Ariel detergent have been better received. But many Polish consumers are baffled by the punch line of Henkel's German-made commercial for Persil, which translates as "You know what you have".



"The philosophy of most western companies is to sell first and understand the market later," says Eugeniusz Smolowski of Pensor, a private Polish market research company. He also warns that hard-sell advertising can easily rebound by "creating suspicions that companies want to dump on us trash that they can't sell in the west".

Some companies, though, are praised for respecting local

stopped just short of putting a cross round his neck," says Marek Janicki, managing director of ITI-McCann Erickson, the Warsaw agency which handled the commercial.

In Hungary, Shell has included local scenes in a west European commercial, while Philips' sales of consumer electrical and electronics goods have benefited from a locally-made campaign.

"People have had enough of western commercials, they want something designed for them," says Miklos Csapregi, head of the Budapest office of Ogilvy & Mather, which developed the Shell and Philips campaign. He also believes a trend may be developing in favour of local products. Benetton's Germany has begun to stress in advertisements the local origin of Totti, a detergent it makes in Hungary, while Unilever is using the theme "Produced locally to international standards" for products it makes in central Europe.

However, care is needed. Warsaw shopkeepers say sales of some previously imported western products fell after they were re-packaged with instructions in Polish, because consumers feared the goods were no longer genuine.

Opinions also differ about the use of "aspirational" advertisements depicting glamorous western lifestyles. The approach seems to work for familiar items like toilet soap. But for new and more sophisticated products, a more down-to-earth, educational treatment often seems to go down better.

But some western companies believe the power of advertising will remain limited until retail distribution improves. They are emphasising gaining control of the supply chain and ensuring that products are consistently available, in good condition and attractively displayed at the point of sale. Many bigger companies are also working with selected retailers to get them to offer better customer service.

But in such rapidly-changing and poorly understood markets, experimentation is likely to remain important for some time yet. As George Swinski, head of PepsiCo Foods International in Poland, puts it: "If you don't take risks, if you aren't prepared to make mistakes, then you don't deserve to succeed."

Supply chain in need of wholesale reform

Cuban cigars at £10 a box of 25, chocolate bars from Lesotho, imported Marlboro cigarettes 30 per cent more expensive than local ones... the shops and crowded street markets of Poland often seem to obey the random economics of an Arab souk.

In Hungary, retailing is more orderly but still has its surprises. "You name it, Indian toothpaste, obscure Brazilian brands - you can buy almost anything," says Andrzej Mico of Unilever.

In both countries erratic deliveries mean that many products - particularly imported ones - come and go from the shelves without warning. Western expatriate shoppers quickly learn to buy their favourite items in bulk and store them at home.

For western companies seeking to do business in central Europe, the bewildering disorganisation of the region's distribution trade is one of the biggest and most frustrating obstacles. In Poland, officials say liberalisation has tripled the amount of retailing space in the past three years. Ashley Summerfield of the Central Europe Trust, a London-based consultancy, reckons that 110,000 new outlets have sprung up, half of them pavement kiosks.

However, the government's failure to liberalise the property market has led to soaring shop rentals. These have increased more than 30-fold in central Warsaw, pushing many small retailers to the brink of bankruptcy.

Marek Pol, a three-year-old Polish company, has set up more than 50 supermarkets and cash-and-carry stores.

However, Marek Mikusiewicz, Marek Pol's president, admits that he now faces a shortage of capital and growing cash flow problems. Though retailing reform in Hungary has been less sweeping, the sector was better placed to start with, thanks to the greater tolerance of its former communist

rulers. Department stores and supermarkets are relatively common. Czernie, one of the largest chains, has been acquired by Julius Meinl, an Austrian retailer, which is renovating the stores and training staff in western techniques.

But an executive of a large western consumer products company operating in



Hungary, while applauding Meinl's efforts, says results will take time: "We find we can negotiate with Meinl at the top, but on the ground things don't work very well".

Wholesaling in both countries is also haphazard. Once dominated by state-owned monopolies, it has been thrown open to private competitors. Many are individuals whose only asset is a truck and who cannot guarantee delivery of products to their destination.

Determining trade creditworthiness is difficult for western suppliers, many of whom insist on payment in cash. Many western companies use their own newly-created sales teams to deliver products to larger stores.

Another obstacle to controlling the supply chain is the flow of illegal imports, which higher duties and tariffs have manifestly failed to check. As well as threatening western suppliers' efforts to establish orderly distribution, "grey" imports play havoc with pricing policies.

Andrzej Sawarc of DMS reckons that at least a quarter of all Mars bars sold in Poland are smuggled in. Though evaluations have increased their cost, Mars has had to reduce the retail price in the past year to avoid being undercut by unauthorised imports.

DMS is also trying to build retailer loyalty by working closely with larger outlets to improve standards of display, stock control and customer service. Many other suppliers of western products are adopting similar tactics. By building such relationships, they believe they are making worthwhile investments.

But even the most optimistic concede that it may be some time before those investments really pay off.

PRIVATISATION IN EASTERN EUROPE

The FT proposes to publish this survey on July 1992. The first ever FT survey on this subject will be published in the FT of that day and will be printed in London, Frankfurt, Moscow, New York and Tokyo. It will be distributed in 100 countries world-wide. For further information about advertising in this survey please contact:

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ERICSSON

Telecommunications research perspective

Turning technology leadership into market leadership

"Technology is the key to our future," says Bo Hedfors, Ericsson's head of systems and technology. "Only by undertaking applied research and development in all the key areas of telecom technology can we be sure that we shall have the right solutions, at the right time, to meet the needs of our customers."

At a time when world industry is in recession, Ericsson is continuing to invest heavily in research and development.

Ericsson's R&D focusses on developing system platforms to support increased user mobility, greater network flexibility and economy, and faster introduction of new services.

The company has a world-wide technology organisation involving 14,000 people - one in five of Ericsson's 70,000 employees.

Ericsson puts its emphasis on applied research to get access to world-class technology, supported by basic research carried out in academic institutes, and strategic partnerships and joint ventures with such leading-edge companies as Texas Instruments.

Ericsson's own R&D organisation is a genuinely distributed resource, with 30 centres in 18 countries. In the EEC alone, there are 12 R&D centres in eight countries. "It puts our R&D effort where it should be: as close to the market as possible," says Hedfors.

Ericsson is at the forefront of research into photonic technology, and has demonstrated its competence in optical switching.

The telecom industry is very software-intensive, and Ericsson has taken a lead

in developing new software architectures and programming languages.

Through applied research activities, Ericsson is continuing to develop its competence to design systems and products for broadband networks and universal access products based on copper, radio, and fibre in the local loop.

Ericsson's excellence in radio research

has paved the way for its success in mobile telephony.

It's a global R&D effort, aimed at giving Ericsson high-performance products and systems to keep it at the forefront of telecommunications through the 1990s and into the next century - a prerequisite to maintain Ericsson's leadership in the provision of solutions to its customers.

The long-term view

"Technology, together with aggressive marketing and careful cost management, will lead us out of the recession," says Ericsson CEO Lars Ramqvist. "And give us an even stronger competitive edge on world markets through the 1990s."

"It is costing money in the short term, of course. But we know that what we are doing now is the right course of action for the long term."

"Our high level of investment in R&D is essential for the future," explains Ramqvist. "We will not reduce our activities in this area even if it affects our income in the short term, and already we can see the first signs of the investment paying for itself."

He cites, for example, the first-quarter 1992 results, with order intake up by 22% over the same period in 1991. The increase is not the result of any change. In the business climate. "It was the result of orders for some of our newest systems and products," he points out. "Particularly in the field of digital mobile telephony."



Swiss choose Ericsson Intelligent Network knowhow

Ericsson is to play an important role in the development of Intelligent Network (IN) services for the Swiss telephone network.

In partnership with Ascom, the company has been selected as prime contractor for the specification and implementation of IN protocol and services, in an initial contract worth over SEK 80 million.

Ericsson's IN system is based on the company's AXE switching system architecture. It will provide network

features such as virtual private networks, private numbering plans, wide area centres, and personal number services. Creation and management of these services will be handled by Ericsson's Service Management System (SMAS) software.

IN functions will be introduced into the existing Swiss public telephone network infrastructure, and introduction of IN services to the network's 4.5 million subscribers will start in mid-1994.



Ericsson digital cellular technology for Tokyo network

Ericsson has been awarded a strategically important order to supply, install and initiate a digital cellular mobile telephone system for the Tokyo metropolitan area.

Placed by Tokyo Digital Phone Co. Ltd the contract is worth SEK 700 million, and covers a network with an initial capacity of 150,000 mobile subscribers. The first phase, which will be operational in July 1994, will use the Japanese Digital Cellular standard, which operates in the 1500 MHz spectrum band.

Ericsson reports that discussions have also started with other Japanese concerns operating mobile telephone networks in other regions of the country.

Commenting on the order, Ericsson CEO Lars Ramqvist said, "The number of

cellular subscribers in Japan has increased dramatically since the beginning of the deregulation process. By the year 2000, Japan is expected to have 13 million cellular subscribers, most of them in digital systems."

Tokyo Digital Phone Co. is a consortium whose major shareholders are Japan Telecom, Pacific Telesis International, East Japan Railway, Metaphone Service Co. Ltd, and Cable and Wireless.

Ericsson, the supplier of analogue cellular systems to 51 countries, now also has contracts for digital cellular systems in 11 countries in Europe, as well as Australia, Canada, Hong Kong, Japan, New Zealand and the USA.

World round-up

UK: Mercury Communications, one of the UK's national public network operators, has awarded Ericsson a £10 million contract to supply, install and commission a digital special services transit layer for its network.

The contract includes the SMAS management system (part of the Ericsson TMOS family of network management systems), to provide database control.

Singapore: The CommuAsia exhibition in June saw the commercial launch of Ericsson's digital cordless PBX system in the Asia-Pacific region. The system uses Ericsson's pioneering CT3 cordless technology to give business users pocket-sized phones they can carry around with them at work. Radio frequencies have been allocated for CT3 systems in Australia, Hong Kong, Malaysia, New Zealand and Thailand.

New Zealand: New Zealand's only national mobile telephone service provider is to use Ericsson system technology to offer its 70,000 subscribers digital cellular services. Telecom Cellular Limited, a subsidiary of Telecom Corporation of New Zealand, has signed a five-year supply and support agreement with Ericsson, covering the company's TDMA digital cellular system equipment. Service roll-out is expected to start at the end of 1992.

Kuwait: An SEK 100 million extension order from the Mobile Telephone System Co. (MTSC) has increased the mobile telephone system being supplied by Ericsson to Kuwait from 20,000 to 30,000

subscribers. The original contract was signed in July 1989, but all equipment was removed during the occupation of Kuwait. After the war, the project was restarted, and Ericsson quickly put a 2,000-subscriber network into operation.

North America: Ericsson GE has received a number of contracts in the USA and Canada, including orders for the world's smallest dual-mode telephones, which are able to work both on analogue networks and on the new digital networks. 40,000 of these telephones have been ordered by McCaw Cellular Communications Inc.

Ericsson's customers in North America have the industry's most aggressive schedule to convert their systems to digital. Many subscribers will be able to use the digital service as early as the third quarter of 1992.



France: Ericsson has established a subsidiary, Ericsson Components and Business Communications SA, in Paris, to market voice and data communications systems for private networks. Ericsson

now has local representation in all the top European business communications markets.

First Ericsson system to be launched in France is the Eriplex X.25-based data communication system, MD110 digital PBXs, and BusinessPhone systems for smaller offices, are scheduled for launch in 1993.

Mexico: AXE exchanges with a total of over 1 million lines will be supplied to



Telefonos de México (Telmex), this year to expand Mexico's digital network infrastructure.

This, the biggest order ever placed by Telmex with Ericsson, brings orders for AXE in Mexico to 3.7 million lines.

USA/UK: RAM Mobile Data, the mobile data operator building up national networks in the USA and UK, has placed a multi-million dollar order for the recently-launched Ericsson Mobidem portable radio modem. Deliveries of the first schedule of 10,000 radio modems for use in the USA and UK have already started.

This is the first major order for the new Mobidem modem, which permits portable Personal Computers (PCs) to be used on the Mobitex mobile data network.

Wellcome's cures for despair

In the run-up to the drug company's share offer, FT writers look at its Aids and herpes treatments



FEW drugs have aroused more passionate feelings, for and against, than Wellcome's AZT.

launched five years ago and still the only licensed treatment for HIV and Aids in most parts of the world.

A wave of enthusiasm carried AZT (also known by the trade name of Zovirax) through the development process at record speed. Less than three years passed between the discovery of its antiviral activity in November 1984 and regulatory approval in March 1987.

Instead of gratitude, Wellcome received an onslaught from US Aids activists who thought the UK company was profiting unreasonably from their suffering, by making patients pay several thousand dollars a year for AZT.

The furore over pricing died away after Wellcome cut recommended prices and doses of AZT. But the drug remains controversial, as critics draw attention to its side-effects and cast doubt on its effectiveness.

At one extreme are Peter Duesberg of the University of California, Berkeley, and his small but well-publicised band of followers. They attack the conventional medical view that Aids is a viral disease caused by HIV and they say AZT is a dangerous drug which can harm the patients and even cause Aids-like symptoms.

Such arguments outrage the medical establishment. The evidence for Duesberg's claim that AZT is "Aids by prescription" is "about as strong as saying that since many people with a toothache also take aspirin, aspirin causes toothaches", says Dai Rees, secretary of the UK Medical Research Council. "A number of careful clinical studies have shown that AZT can be beneficial to patients with Aids."

Tony Pinching, an Aids specialist at St Bartholomew's Hospital, London, says hostility to AZT is partly a reaction against "over-enthusiastic extrapolations" from some incomplete clinical trials, which exaggerated the benefits of the drug for Aids patients

and particularly for people infected with HIV but not showing Aids symptoms.

"A lot reflects differences between people's dreams and aspirations and what they can actually prove from the data," Pinching says. Like most European doctors, he believes the clinical evidence that AZT prolongs the life of Aids patients is overwhelming, but he is less convinced by the evidence that early treatment of asymptomatic HIV carriers will help them in the long run.

AZT is a "nucleoside analogue" drug. It works by mimicking thymidine, one of the building blocks of genetic material. When HIV incorporates an AZT molecule instead of thymidine into its growing DNA chain, it jams the mechanism by which the virus replicates. AZT slows down the rate at which HIV infects cells of the human immune system but it cannot eliminate the virus, let alone "cure" Aids.

Scores of competing drugs are at various stages of development. Further advanced are two other nucleoside analogues: DDI (marketed by Bristol-Myers Squibb as Videx) and DDC (Roche's Hivid). DDI is approved in the US as a second-line therapy for Aids patients who are not responding well to AZT and similar approval is expected soon for DDC. Both drugs have side effects, though these do not include bone marrow suppression, which is the most serious problem caused by AZT.

Behind them are more nucleoside analogues - including the promising 3TC licensed by Glaxo from Biochem Pharma of Canada - and others which claim to work through a bewildering array of mechanisms. They include protease inhibitors, therapeutic vaccines (which aim to stimulate the immune response of people already infected with HIV) and even gene therapy.

In the short term, the newcomers will not necessarily threaten AZT's sales, because many specialists believe the best approach to Aids therapy is to use a combination of drugs including AZT. The main reason for this is that viruses are much less likely to develop



REMEMBER herpes? In the early 1980s a herpes epidemic, carried on a tide of sexual promiscuity, appeared to be sweeping through the west. Then along came Aids. Herpes sank from public view.

The disease is still incurable and its incidence is still growing. Up to 40 per cent of US citizens have recurrent cold sores caused by the herpes virus. As for genital herpes, an estimated 20m US citizens are infected.

Paradoxically, herpes has become even more significant since the discovery of HIV. Clinicians believe that individuals with lesions caused by herpes transmit the HIV virus more easily. Effective treatment of herpes may therefore help prevent the spread of HIV. In addition, Aids patients become highly vulnerable to viruses of the herpes family, which can prove fatal.

Analysts at Barclays de Zoete Wedd, the UK brokers, estimate that the world market for anti-herpes drugs increased from \$35m (£19.2m) in 1981 to \$1bn last year. Wellcome, the leading anti-viral drug company, has about 70 per cent of this market. Its best-selling drug is Zovirax, which last year generated sales of £471m.

Zovirax is a guanine nucleoside analogue which is inert and non-toxic to normal cells. However, when the drug enters a cell containing the herpes virus it reacts with an enzyme created by the virus to become a triphosphate. Once converted, the triphosphate interacts with the virus' DNA structure and stops the virus replicating.

The mechanism is similar to the effect of AZT on HIV. Zovirax cannot eliminate the herpes but by preventing the virus multiplying it reduces the effects and length of herpes attacks.

After the drug was licensed in 1981, Zovirax also began to be used to prevent herpes recurring. A recent five-year study demonstrated that patients with recurrent genital herpes treated with Zovirax were seven times less likely to have another attack.

The drug has also been licensed for herpes-related diseases. One is cytomegalovirus (CMV), another is varicella zoster which causes chickenpox and shingles.

Much of the sales growth of Zovirax is likely to come from the treatment of shingles, which often affects the elderly. About four people per 1,000 over 65 years old contract shingles. Zovirax only received a US licence for shingles in 1991 so Wellcome has just started to exploit the market.

However, because the zoster virus is less susceptible to Zovirax than herpes itself, the drug needs to be at least

four times greater. BZW estimates sales for shingles alone will be worth £100m over the next two years.

The medicine is also being used for transplant patients infected with CMV or shingles. About 31,400 people received transplants in the US last year and the number is growing by between 12 and 15 per cent a year.

Transplant patients are given immunosuppressants to prevent their immune systems rejecting the organ. But an additional effect is to make the patients highly vulnerable to herpes-related diseases. Myron Levin of the University of Colorado estimates about 40 per cent of bone marrow patients have zoster and about 75 per cent CMV. Both diseases are capable of killing the patients.

Roare Govett, the UK brokers, estimates that increasing use of Zovirax for herpes, transplant and Aids patients will allow sales to increase from £471m last year to £575m by 1994.

Competition to Zovirax at present is limited. Any new drugs will need to demonstrate they are safer, more effective, or more powerful and so need less frequent doses.

SmithKline Beecham, the Anglo-American group, is developing two compounds, Famcyclovir and Penciclovir. Both are better absorbed than Zovirax and work longer.

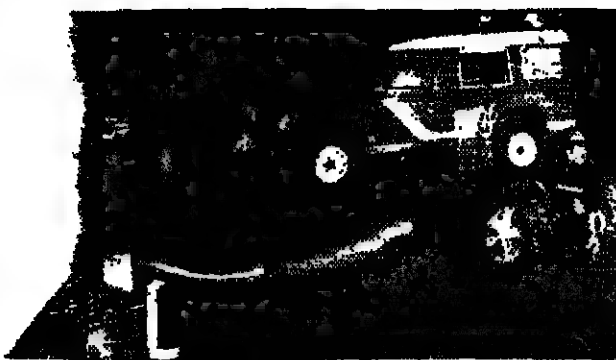
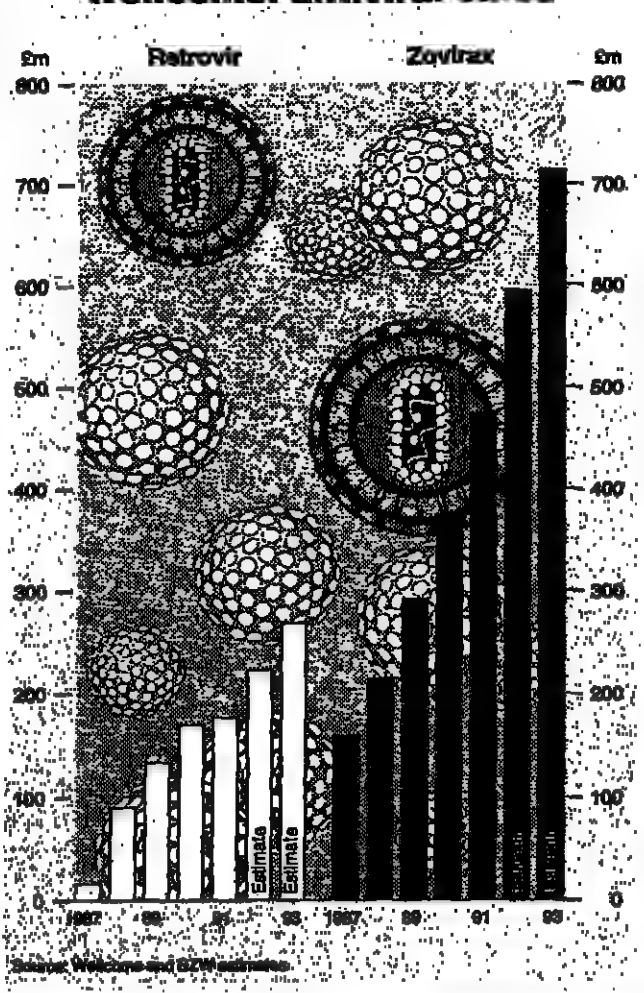
Meanwhile, Wellcome is developing two compounds, known as 256U87 and 882U87. At a recent conference in Berlin on herpes, clinicians were told that 256 was absorbed into the body three to four times more readily than Zovirax, the existing treatment. The drug is in late clinical trials.

Meanwhile, 882 has been shown to be highly effective against CMV. The drug is in earlier clinical trials to determine the right dosing.

Wellcome hopes to have both 256 and 882 on the market during the mid-1990s. In the meantime, human behaviour being what it is, demand for its viral products will continue to increase unabated.

Paul Abrahams

Wellcome: antiviral sales



Water power used for fire-fighting

By Andrew Baxter

Tragedies such as the fire on a British Airways Boeing 737 at Manchester airport in 1985 have underlined the need for novel approaches to ensuring aircraft safety.

The disaster, in which 55 people died, was one of the worst in British aviation history. Seven years later comes the launch of a range of products powered by a technology that gives new meaning to fighting fire with water.

The spearhead of the new approach, developed by Hull-based Fenner Water Hydraulics, is precisely that - a Fire Spear which drills through an aircraft side in seven seconds, and then switches to a high-pressure water spray. The system is based on innovative water motors, which use water both as a power source and a lubricant.

The spear is an apt first application for a revival of commercial interest in water hydraulics, neglected since the development of hydraulic oils but now making a comeback.

The Fire Spear, now being evaluated by a number of European civil aviation authorities, creates a "water curtain" - a fine mist which can envelop toxic gases and drop them to the floor, preventing the sudden spread of fire in an effect known as flashover.

The key to the system is the broad application of Fenner's pump and motor technology. With water as the power source, a fireman can quickly run a hose out to the fire and then decide whether to use the Fire Spear or attach a cutting tool or saw, says John McCullough, Fenner project director. The rotary equipment such

as the spear and saw developed by Fenner are water-lubricated, but its water intensifier pump for linear equipment - such as the cutters known by firemen as "Jaws of Life" - will be able to handle water or oil-lubricated tools.

According to McCullough, the new system has a number of advantages other than speed. It is quieter than the petrol-powered oil power pack currently used for fire-fighting equipment, reducing stress for the accident victims. And, in contrast to pyrotechnic processes used to start much fire-fighting equipment, it can be turned on and off at will.

The package of mobile fire-fighting equipment is being marketed worldwide by Warwick-based Godiva. Andrew Thompson, sales and marketing director, intends to develop the UK market first for the linear hydraulic tools, and has won the first order from a UK fire brigade. But he sees the Fire Spear as having immediate international appeal.

McCullough, meanwhile, has been investigating other applications for Fenner's water motors, which are one third the size of equivalent electric motors. In particular, he sees an opportunity in replacing sprinkler systems currently using halon, an ozone-damaging gas which, according to the 1989 Helsinki declaration on CFCs, should be phased out as soon as feasible.

Other applications could include subsea work, where only a single line would be needed. "In diving, you don't need the water back," says McCullough. In modified form, the system could run on salt water.

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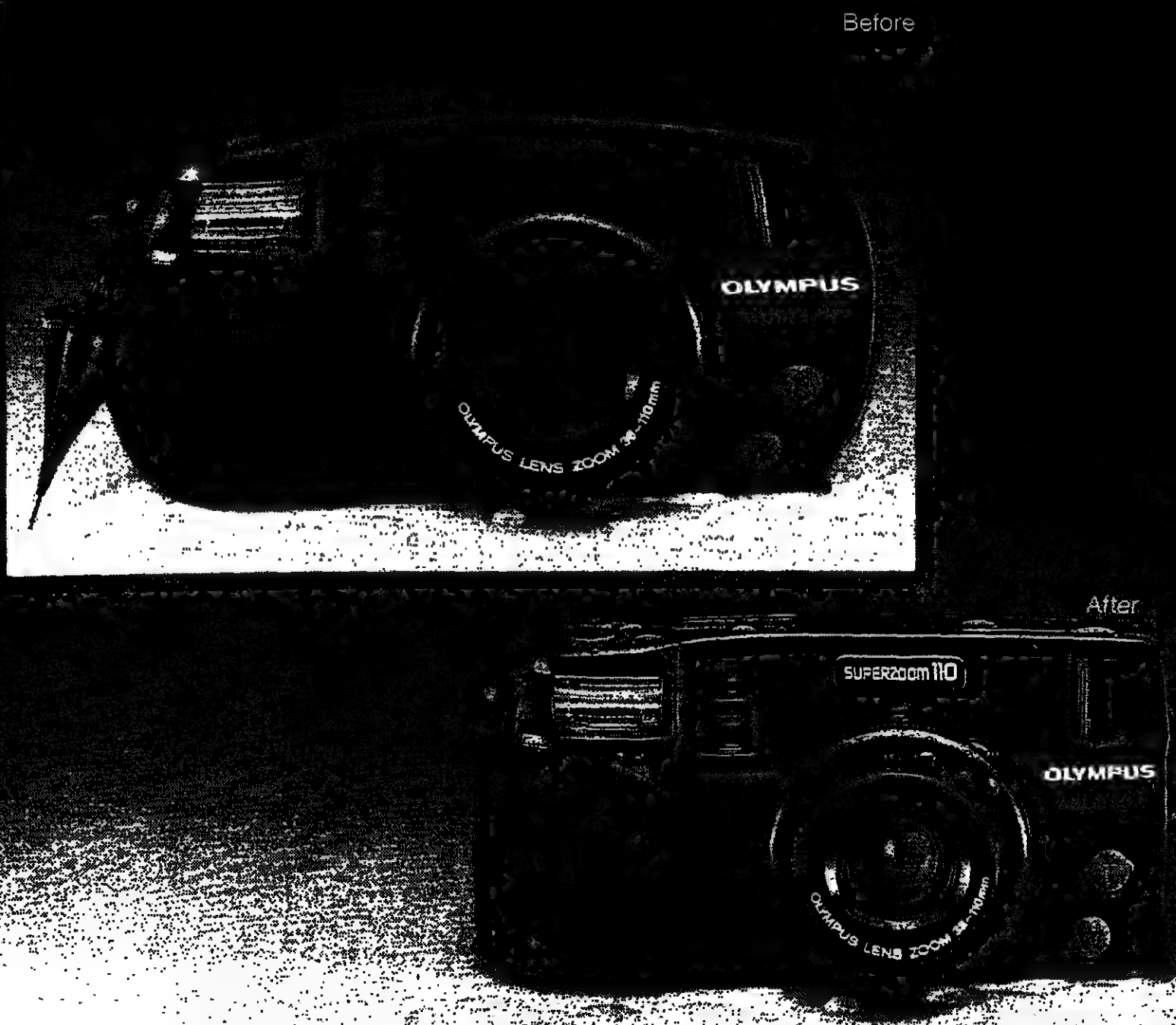
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FT LAW REPORTS

Shareholders' agreement is valid

RUSSELL v NORTHERN BANK DEVELOPMENT CORPORATION LTD AND OTHERS
House of Lords
(Lord Griffiths, Lord Jauncey of Tullichettle, Lord Lowry, Lord Mustill, Lord Slynn of Hadley)
June 11 1992

PART OF an agreement by which shareholders, without binding future shareholders, agree personally between themselves as to the manner in which they will exercise their voting powers on the creation of share capital, is enforceable and severable from that part of the same agreement which is unenforceable in that the company agrees to fetter its own statutory power to create capital.

The House of Lords so held when allowing an appeal by Mr Samuel Russell from a decision of the Court of Appeal in Northern Ireland that an agreement between him and the defendant shareholders of Tyrone Brick Ltd (TBL), a company set up by the first defendant, Northern Bank Development Corporation Ltd, was invalid.

LORD JAUNCEY said that during the 1970s Northern Bank and its wholly owned subsidiary, Corporation, lent or invested substantial sums in two brickmaking companies in Killybegs, County Down, and Duncannon, County Tyrone. The former was unsuccessful whereas the latter prospered.

In 1979 Corporation devised a scheme whereby control of both companies came to be vested in a new holding company, TBL, with an authorised share capital of £1,000 divided into 1,000 shares of £1 each.

An "essential part of the scheme was that the four executives who ran the Duncannon works should manage TBL. To that end 20 shares in TBL were allotted to each of them. A further 120 were allotted to Corporation, but no allotment was made of the remaining 800. On November 14 1979 a shareholders' agreement was executed by the four executives including Mr Russell, and by TBL. Although TBL bore to be a party to the agreement, it never executed it.

The agreement provided

inter alia that whereas Corporation and the executives were the holders of the entire issued share capital, and the shareholders had agreed to regulate their relationship with regard to management and control of the company, the terms of agreement should have precedence over the articles of association.

Clause 3 provided that "no further share capital shall be created or issued, without the written consent of each of the parties hereto". On March 10 1988 the TBL board gave notice to shareholders of an extraordinary general meeting on March 30 to consider two ordinary resolutions: (1) that the capital be increased to £4m by the creation of £3,999m ordinary shares of £1 each ranking *pari passu* with the existing issued ordinary shares; and (2) that it was desirable to capitalise the £3,999m and, accordingly, that the directors be authorised and directed to appropriate the sum for distribution to the holders of the ordinary shares in proportion to the amounts paid up.

Before the meeting Mr Russell issued a writ against the other original shareholders, claiming an injunction to restrain them from voting on the resolutions.

The parties went to trial on the issue whether the arrangement was binding on all the shareholders, including Corporation which had not executed it. On that issue Mr Russell was successful and no further question thereat arose.

However, during the trial Mr Justice Murray of his own motion ordered that TBL be joined as defendant, and dismissed the action on the ground that article 3 of the agreement constituted an attempt to fetter TBL's statutory power to increase its capital and was accordingly invalid.

The Court of Appeal by majority (Lord Justice Macdermott dissenting) upheld the conclusion on invalidity, and dismissed the appeal.

At the date of the proposed extraordinary general meeting TBL had statutory power to increase its share capital.

The issue was whether article 3 of the agreement constituted an unlawful and invalid fetter on that statutory power, or whether it was, no

more than an agreement between shareholders as to their manner of voting in a given situation.

Both parties accepted the long-established principle that a company could not forgo its right to alter its articles (*Southern Foundries v Shirlaw* (1940) AC 701).

The principle must apply also to the right of a company to alter its memorandum.

Mr McCartney for Mr Russell argued that the agreement did not contravene the principle, in that it was merely an agreement between shareholders outside the scope of company legislation, which in no way fettered TBL's power to alter its memorandum and articles.

Mr Givan for the defendants submitted that the agreement was not only a voting arrangement between shareholders *inter se*, but was tantamount to an article of association which constituted a restriction of TBL's power to alter its share capital.

While a provision in a company's articles which restricted its statutory power to alter those articles was invalid, an agreement between shareholders as to how they should exercise their voting rights on a resolution to alter the articles, was not necessarily so.

In *Watson v Saffery* (1897) AC 299, 351 Lord Davey accepted that shareholders might lawfully agree *inter se* to exercise their voting rights in a manner which, if it were dictated by the articles and binding on the company, would be unlawful.

The agreement was intended to regulate the relationship between the shareholders with regard to management and control of TBL.

However, it was executed not only by the shareholders, but also by TBL.

In *Bushell v Faith* (1899) 2 Ch 438, 447 Lord Justice Russell said a company could not "by its articles or otherwise" deprive itself of its power to alter its articles. He said, such an article was ineffective, "but a provision as to voting rights which has the effect of making a special resolution incapable of being passed if a particular shareholder... exercises his voting rights against a proposed alteration, is not such a provision".

If clause 3 had been embodied in the articles of association so as to be binding on all persons who were or might become shareholders in TBL, it would have been invalid. But it was not so embodied. The significant part of Lord Justice Russell's dictum was "articles or otherwise". Those words appeared to recognise that it was not only fetters on the power to alter articles of association imposed by the statutory framework of a company which were obnoxious.

The purpose of clause 3 appeared to be twofold. The shareholders agreed only to exercise their voting powers in relation to the creation or issue of shares in TBL if they and TBL agreed in writing.

That agreement was purely personal to the shareholders who executed it, and did not purport to bind future shareholders. It was just such a private agreement as was envisaged by Lord Davey in *Watson v Saffery*.

TBL, on the other hand, agreed that its capital would not be increased without each shareholder's consent.

That was a clear undertaking by TBL in a formal agreement not to exercise its statutory powers for a period which could last for as long as any one of the parties to the agreement remained a shareholder, and long after the control of TBL had passed to shareholders who were not party to the agreement.

As such an undertaking it was as obnoxious as if it had been contained in the articles of association, and was therefore unenforceable, being contrary to article 131 of the Companies (Northern Ireland) Order 1986.

TBL's undertaking was, however, independent of and severable from that of the shareholders, and there was no reason why the latter should not be enforceable by the shareholders *inter se* as a personal agreement which in no way fettered TBL in the exercise of its statutory powers.

The appeal was allowed. Their Lordships agreed. For Mr Russell: Robert McCartney QC and John Thompson (Sharp Pritchard). For the defendants: Paul Givan QC and Ben Stephens (Herbert Smith).

Rachel Davies
Barrister

PEOPLE



Clive Strouger (left), who resigned as chief executive of the troubled Mowlem property group last September, seems to have been rehabilitated in the eyes of the City establishment. He is to take over as group chief executive of APV, the world's biggest food machinery maker. (see Observer)

APV has been looking for a new chief executive for many months following the early retirement of Fred Smith who had headed the group since 1984. Strouger, 50, a former finance director of Grand Metropolitan, is returning to the other side of an industry he knows well. During his 12 years at GrandMet he headed the brewing, consumer services, foods and retail and property divisions.

APV also announced yesterday that Richard Fenny (right), 43, has been lured away from Finor to be director of the group's liquid foods division. He replaces Mike Smith, who resumes the role of corporate development director.

Watson ends family monopoly of Waddington



While the game may be over for Robert Watson's tangled web of companies, Victor Watson (right), the chairman of Waddington who yesterday announced his plan to retire in 1993, can claim to have fingered the publishing baron almost a decade ago.

Watson, the last in a line of Watsons at the Waddington helm which started in 1913, successfully fended off two bids from Maxwell, partly because of the discovery by his advisers Kleinwort Benson of the publisher's murky Liechtenstein connections.

Watson fought off two other bids during his 40 years at Waddington: from Morion in 1965 and Norton Opax in 1983. The latter, says Watson, was the spark for Maxwell's first attempt on Waddington. "He

was like a shark who smelled blood," Watson once said.

His stalwart defence of the games-to-packaging company is in keeping with family tradition. His grandfather, a Leeds lithographer, originally rescued Waddington from liquidation in 1913.

Watson's father - and predecessor as chairman - later revived an again-flagging Waddington by inventing a machine to mass-produce playing cards. Watson Jr, now 83, plans a working retirement on the boards of, among others, Yorkshire Television and John Foster and Sons.

Although his successor has not been named, former chief executive and ex-England rugby captain, David Perry (left), has been appointed deputy chairman.

John McKeown, managing director of Ansell's, Allied-Tyons's Birmingham-based pub company, is to resign the position to concentrate on his role as retail services director for the group's retailing division.

McKeown, who joined the group in 1972, will be responsible for identifying and implementing best retailing practices throughout the sector, which covers Allied's international franchise business, UK pubs and off-licences.

He will also be directly responsible for acquisitions, purchasing and leisure machines across the UK pub operations.

Martin Grant, who joined Allied from Whitbread two years ago, and at present heads Ansell's retailing operations, will succeed McKeown as md of the pub company.

John Camden, chairman of RMC Group, is to relinquish his executive responsibilities to the group and Jim Owea, but will continue as non-executive chairman.

Henry Drea and Edwin Stallard have been appointed to the board of AVONMORE FOODS.

John Sandiford has been appointed a director and company secretary of SERIF COWELLS.

Terry Arthur has been appointed an independent trustee of the board of WIGGINS TEAPE PENSIONS. Alastair Channing, deputy md of Associated British Ports, and James Shaw, md of Grosvenor Square Properties, have both been appointed to the board of ASSOCIATED BRITISH PORTS HOLDINGS.

Michael Smith has been appointed to the board of BOWATER.

Nicholas Hodges, md of LIQ's European division, has been appointed a director of LONDON INTERNATIONAL.

Peter Robinson has been appointed chief executive of BIWATER.

Brian Whitford has been promoted to md of RAGAL HEALTH & SAFETY.

Bob Dodd has been appointed to the board of MOBIL OIL COMPANY as director, personnel.

George Van Sant is relinquishing his role as director, employee relations and personnel matters of LAWSON MARDON Group, Europe, and is appointed a director of LMG Smith Brothers.

James Schemenaur, president and chief executive officer of BARRY WEHLMILLER INTERNATIONAL's Inex Vision systems division, has been appointed to the main board.

Taking an early shower

Christopher Wilson, who always knew he preferred bathrooms to coal, is leaving Young, the Durham-based mining and haulage company, after less than a year as finance director.

Over-extension at Young helped to prompt the removal of company founder Bob Young as chairman and chief executive and the arrival of a new management team earlier this month. With the help of new financial backers, Young is refocusing its activities in readiness for opportunities likely to arise from the privatisation of British Coal.

Wilson, who departs with effect from an extraordinary general meeting (to approve the refinancing) probably in August, is cagey about his new endeavour. But he terms it a personal decision, adding that he is responding to the chance to become chief executive of, and a shareholder in, a new London-based company in an

area "not far off" bathrooms - an already familiar field.

Brian Calver, the new group managing director, says: "He hasn't told me what it is. I think a friend of his is setting something up." He remarks that he is sorry to see Wilson go but denies there is any wider significance in the departure. "He has seen greener pastures, as happens in business."

Wilson's previous experience includes a spell between 1984 and 1988 as finance director of Smallbone, an upmarket manufacturer of customised bathrooms and kitchens, which was acquired by Williams Holdings. Wilson then led a management buyout of bathroom products specialists B C Sanitair, part of Smallbone, from Williams. But the who fell short of its targets and Wilson left in 1990. He describes himself as having "kicked around" before getting into the coal business.

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LEGAL NOTICES

IN THE MATTER OF THE INSOLVENCY ACT 1986
AND
COMPRESSOR ENGINEERING SERVICES LIMITED

Notice is hereby given pursuant to section 48 of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above mentioned company will be held at the offices of Cork Gully, Abchurch Court, 6 Minshull Street, Manchester M1 3ED on Thursday 2 July 1992 at 11.00am, for the purpose of having before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act and if thought fit, appointing a committee.

A creditor is entitled to vote only if he has sent to the Administrative Receiver, not later than Wednesday 1 July 1992, details in writing of the debt that he claims to be due to him from the company and the claim has duly been admitted under the provisions of the Insolvency Act 1986 and that it has been lodged with the Administrative Receiver at Cork Gully, Abchurch Court, 6 Minshull Street, Manchester M1 3ED prior to the meeting, together with any proxy which the creditor intends to be used on his behalf.

Signed: M Phipps
Joint Administrative Receiver

BRISTOL FLOORMING LIMITED
CARPENTERS LIMITED

Notice is hereby given that meetings of the unsecured creditors of the above companies will be held pursuant to section 48(2) of the Insolvency Act 1986 at the offices of 179/80 Post Merwick, Apple Court, 21 Finsbury Street, St Albans, Hertfordshire AL1 1BB on 3 July 1992 at 2.00 pm, 2.30 pm and 3.00 pm respectively, for the purpose of receiving the reports of the Administrative Receiver and, if thought fit, appointing a committee. A creditor will be entitled to vote only if a written statement of claim is submitted to me at the above address by 12 noon on 1 July 1992 and if the claim is submitted for voting purposes. Any proxies that are intended to be used must be submitted to me before the meetings. A creditor whose claim is wholly secured is not entitled to attend or to be represented at the meetings.

Date 11 June 1992
Anthony B Thompson
Joint Administrative Receiver

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Floating Rate Notes due 1995

(Issued 15th June 1992)

In accordance with the terms and conditions of the Notes, the interest rate for the period 15th June 1992 to 15th September 1992 has been fixed at 10.1675% per annum. The interest payable on 15th September 1992 against the First Coupon will be £258.00 per £100,000 nominal.

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IN THIS SATURDAY'S

Weekend FT

Cinema

Empty lovers

THE LOVER
Jean Jacques AnnaudPARADISE
Mary Agnes DonoghueAUTOBUS
Eric RochantHOMEWORK
Jamie Humbert HermosilloSTONE COLD
Craig R. Baxley

The onslaught of saucy TV advertisements and rumours of actual on-camera sex seem to suggest that *The Lover* is going to be this season's sophisticated erotic offering: a legitimate skinfluff on a par with *Betty Blue* or *Les Tongs in Paris*. In the event, the film proves to be a strangely staid and unconvincing experience. Based on Marguerite Duras's bestselling novel, it tells the story of an impoverished 15-year-old French girl (Jane March) who enters into an affair with a wealthy, 32-year-old Chinese man (Tony Leung) in 1930s Vietnam. They meet on a barge crossing the Mekong River and are soon spending afternoons making prolonged love in his bachelor pad in the city's noisy, exotic Cholon district. Despite the intense intimacy of these sessions, it soon becomes clear that their relationship is doomed by the mutual racism of their families and the unbridgeable chasm between their cultures.

Director Jean-Jacques Annaud has stretched Duras's brief novel into a big, sumptuous picture, beautifully shot and impeccably in its detailed evocation of colonial Vietnam. When he trains his camera on the swollen Mekong River or the tatty sprawling colonial buildings of old Saigon, you get a real sense of what the last days of that particular empire must have looked and sounded like. He also draws a convincing portrait of the girl's rancorous, dissolving family, hating one another yet forced by their poverty and foreign status to cling together. Most notable here is Annaud's Giovannianni as the disolute eldest son, particularly when he mocks his mother's tears as she looks at her home in Saigon.

Where the film proves sorely lacking is its depiction of the central relationship. Despite the graphically sweaty love scenes and those languorous affiances in the back of limousines, the affair between the unnamed French girl and Chinese man falls to ignite. Annaud and co-writer Gerard Brach seem to think that writhing nuditv in some way excuses the cool, detached



Jane March and Tony Leung in Jean-Jacques Annaud's adaptation of Marguerite Duras's book

banality of the clothed scenes. As a result, you never really feel the risk and passion involved as the lovers break cultural taboos. They are just a couple having lots and lots of sex. To make matters worse, March proves unable to evoke her character's simultaneous sexual and moral awakenings, the very qualities that made Duras's novel so memorable. She seems old beyond her years before the affair even begins, a sort of petulant, unbecoming Emma Bovary.

Paradise is an oddly palatable serving of cinematic syrup. It tells the story of a 10-year-old boy (Elijah Wood) who is sent off from his big city, single-parent home to spend the summer in the southern coastal town of Paradise. At first, the place seems unlikely to live up to its name, with his host couple (Don Johnson and Melanie Griffith) going through a decidedly rough marital patch engendered by the accidental death of their own son a few years back. Gradually, however, the boy, who has problems of his own with his father's recent abandonment, proves a savior for everybody's psychic wounds.

It is not hard to see how this sort of coming-of-age, coming-to-terms saga could have gone disastrously wrong, especially as it emanates from that bottomless well of sentimentality, Disney's Touchstone Pictures. But writer/director Mary Agnes Donoghue manages to keep things pretty well under control, using low-key humour and a nicely wistful pace to avoid bludgeoning the viewer's sensibilities. She is greatly

aided by the impressive Wood, as well as by Griffith and Johnson, who turn in handsome and restrained performances. Only with a needless sub-plot involving tomboy Thora Birch and her wayward father does the film go over the top.

A very different form of sentimentality is at work in *Autobus*, a witty and anarchic look at youthful alienation, French style. It tells the story of a young man (Yvan Attal) who decides to hitch a ride to see his girlfriend. He accomplishes this by the rather unorthodox step of hijacking a bus loaded with school children in what turns out to be a weird attempt to impress the girl with his devotion. Quickly dubbed "The Sentimental Terrorist" by the press, he eludes the police for nearly two days before finally reaching his goal, winning over along the way the bus's kids, tough guy driver and supervising teacher.

Despite the rather improbable subject matter, writer/director Eric Rochant has created a funny, charming story that pokes fun at itself without undermining its feeling. As with his first film, *A World Without Pity*, Rochant pulls off the nearly impossible stunt of being a full-blown romantic without giving in to bombast or pretension.

Homework, by the Mexican director Jaime Humbert Hermosillo, is a clever piece of celluloid wit that will probably only appeal to the party souls who haunt arthouse cinemas. Set entirely in the study of a small apartment, it shows the efforts of Virginia (Maria Rojo) to complete an assignment for her film class, which seems to involve mak-

ing an hour's worth of uncut documentary footage. To do this, she hides her camera under the table and then invites over an ex-boyfriend (Jose Alonso) with the intention of taping her seduction of him - without his knowledge. He spots the camera and storms off just before they graduate from heavy petting, only to return a short while later, his interest and male vanity piqued.

More a cunningly ironic essay on cinematic voyeurism than a full blooded film, *Homework* proves too slight to carry the viewer the distance, even with the twist ending. It is notable primarily for a sequence of sexual gymnastics in a hammock which would make the leads in *The Lover* blush and seems to indicate that the Mexico has yet to rid itself of the Law of Gravity.

The makers of *Stone Cold* seem intent on suspending other laws, such as those governing common sense and decency. The story, such as it is, concerns a renegade cop (Brian Bosworth) who infiltrates a Mississippi motorcycle gang to bring them to justice. He succeeds, but only after they massacre the entire Mississippi Supreme Court, which does not seem like much of a victory for the forces of good. Bosworth is a former American Football star with a face right out of *Marvel Comics* and a body that looks like 15 stone of bleached beef. The film ends up nothing more than a pacy bloodbath in which motorcycles, naked women and gunshot wounds are served up with equal dispatch.

Stephen Amidon

mood. Without literalism, and with a characteristic finesse, the dance speaks of the human - and the industrially dehumanising - condition.

In her finest work, Siobhan Davies offers something of the visual integrity we see in Owen Glyn Jones's painting. In this new piece the matching of score, inspiration and imagery is acutely judged. As a musical note, I salute John Sweeney's performance of the Rzewski blues, and the excellent account of the Osborne and Sauer scores by the Mercury Ensemble under Roger Heaton. The ballets were very well lit by Peter Mumford and Michael Halls. The Royal Theatre has one of the most hideous of theatrical interiors, but its stage is well suited for troupes of Rambert size, and the dance looks good.

Rambert Dance Company continues at the Royal Theatre until June 27 with varied programmes.

Ballet/Clement Crisp

Rambert Dance Company

Alexandra Dyer and Paul Old, a group dance that buoyantly matches the gamelan echoes of the score. Here is an abstraction of animal behaviour that seems all the more potent, and true, for not being specific.

Alston's newest work is *Can't Say*, with a score by David Sauer whose punchy rhythms are well suited to dance, and with handsome design by Paul Huxley - rectangles of solid colour, flown against a mid-night blue cloth, that make the stage area seem vibrant. The dance is as plotless as the decor, but Gary Lambert is a master of its ceremonies, dancing with ebullient energy, and marking the score's jazzy nuances with just the suggestion of a shimmy. I am not sure, after one viewing, how the choreography holds together - if it is, indeed,

intended to cohere - but its varied incidents are pleasing, and offer a melting, pretty solo to Jacqueline Jones, which she shows off with great charm.

Siobhan Davies' creation for the company is *Whimsical Cotton Mill Blues*. Industrial life has rarely inspired choreography. Foregger's optimistic machine dances in early Soviet days; Gertrud Bodenwieser's fascination with "The Demon Machine" at about the same time; Massine's picture of urban proletariat in *Le Pas d'acier* for Diaghilev, were hardly concerned with industry itself. Even the Marxist spectacles staged by workers' dance groups during the Depression in New York were more protest than explanation. What Davies has done is to make a subtle, compassionate comment upon an industrial community.

Her starting point is Frederic Rzewski's eponymous piano solo, which develops from an rhythmic mimicry of machine noise into a touching "blues". Alexandra Dyer and Amanda Britton first appear, in a prelude that evokes physical exhaustion as well as companionship, and they will similarly provide a postlude to the work. They are joined by eight dancers whose movements tell of the routine of factory production, of the tedium of repetitive industrial action, even - in the way the dance crosses the stage - of the movement of shuttle across loom, as if the machine conditioned its operators. Gabrielle McNaughton is shown as a physically buoyant figure, but the idea of blues as lament imparts to her choreography with an elegiac

Theatre/Malcolm Rutherford

The Rise and Fall of Little Voice

Jim Cartwright's new play at the Cottesloe opens in the dark with some dissonant music, screams and a harsh Lancashire voice in the background. When the lights go on, a garish-looking woman is sick in the sink. Then the fuses blow because the electricity system in this northern English town, 1962, cannot bear the record player and the electric kettle being turned on at the same time. There is a lot of swearing and some brutality.

The Rise and Fall of Little Voice proceeds in this provocatively disagreeable way for about 20 minutes. Yet since Cartwright is one of the most promising English playwrights, it is worth holding on: there are surprises to come. *Little Voice* has at least one startling coup de theatre and, in this production by Sam Mendes, outstanding performances all round.

The title is Cartwright's longest so far. His previous plays were called *Red* and *To* in that order, but even *Little Voice* can be abbreviated to *LV*, and usually is. *LV* is the daughter of the garish-looking woman, Mari Hoff. She is called *Little Voice* because nobody could hear what she said as a child or, perhaps more accurately, because she never tried to speak.

She has been left a collector's gem of long playing records by female vocalists by her father, Frank. Mari's main memory of Frank is how embarrassing it was at the registry office to sign off as Mr and Mrs F Hoff, which broadly speaking is what Mari then did.

LV not only listens to the LPs incessantly - fuses permitting, she learns from them. The theatrical coup comes when she is overheard (not by her mother) singing to herself. Shirley Bassey, Judy Garland, Cilla Black, Grace Fields, Billie Holiday, Edith Piaf, Marilyn Monroe, she can do the lot. It may seem an odd mix, but if you see the play you will understand why. The clue is in Grace Fields: Cartwright is a consciously north country writer.

LV is played by Jane Horrocks. It is an immensely challenging part. Not only does she have to go through the whole

singing repertoire, she also has to play the mixture of hurt little girl and potential star. Some of Ms Horrocks's facial expressions are superb. In the singing role I thought that she flagged slightly as the show went on. Given confidence and audience support, however, this could grow into an unforgettable performance.

The play has its imperfections. There is an excess of sentimentality. The romantic sub-plot about the equally little-voiced British Telecom engineer who is as devoted to lasers as *LV* to singing does not quite work. The suggestion at the end that *LV* has risen, fallen and risen yet again under the BT influence is at odds with the title.

The sight of the mother, drinking Alka-Seltzer from a dirty milk bottle because it is less filthy than the cups in the

sink, over-pushes the squalor. I did not enjoy watching Alison Steadman playing this part, but I admired her performance - and her commitment to stick to it - no end.

The minor part that comes off like a charm is George Raitrick as Mr Boo, the slightly Asian-looking impresario who presents *LV* at the local club. As John Osborne keeps reminding us, it is always useful to have a spot of music hall.

As a play, *Little Voice* is not quite as good as *To*, which was shown at the Young Vic 18 months ago, largely because it is less well structured. But one has begun to look forward to whatever Cartwright comes up with and to anything directed by Sam Mendes.

Cottesloe, Royal National Theatre. In repertoire. 071 928 2252

Ubu

Alfred Jarry (1873-1907) wrote the first of his four *Ubu* plays in 1896. It ran for two nights at its opening, and has been perplexing audiences ever since. Now, the Nada Theatre has taken its Avignon Festival version of the *Ubu* plays on tour: this makes anarchic, playful and life-enhancing theatre. Jarry wrote the original for puppets. Nada use fruit & veg. They tell a tale of regicide, state ceremony, political intrigue, insurrection and war. The cast amounts to two actors and a battalion of "fruits et légumes": leeks, potatoes, cabbages and celeriac. The exotic arrives in the form of "ananas" and "pamplemousse". Vegetables without stage presence (mushrooms, peas, Jerusalem artichokes) need not apply. But the cast still needs a little purple asparagus for the regal touch.

Ubu feels like an allegory for something else, but, as befits a play about the high surrealism of Guillaume Apollinaire, it signifies nothing. Through the alchemy of theatre, anything can mean anything, or as Hans Arp used to say, "the tongue is a chair".

The play does provide a full platter of madness and inven-

tion. The range of the actors (Babette Masson and Guilhem Pellegrin) beggars belief. Masson's voice soars to become a beguiling at a military parade and plummets to mimic the gravelly tones of a palace guard. She controls the vegetable-puppets and wields the vegetable-weapons. Pellegrin negotiates the wonderful mingling: including a stage horse and a final voyage out, done with some water in a zinc bathtub. As the actors commune with the vegetables, one is gradually implicated into the whimsical absurdity of the evening. Where conspirators are cabbages, the "noblesse" leeks, and high financiers yellow peppers; life in the kitchen garden suddenly seems to apply everywhere. *Ubu* is acted in French, and last, a breathless and exhilarating hour.

Andrew St George

Tour: Warwick Arts Centre (June 18-19); Manchester Green Room (June 18-20); Glasgow Tramway (June 22-24); all details on 041-423-0023.

Recital/David Murray

Annie Fischer

Miss Fischer is a Hungarian pianist-musician of rare, long-matured gifts, and in her Royal Festival Hall recital on Tuesday there were rewards enough to satisfy all those in the audience who have loved and admired her work for decades now.

It was nevertheless the wrong venue, and the wrong occasion. She had been enlisted to take the place of Alfred Brendel (aided low by technicalities) in the international piano series, sponsored by Technics H.I. But Miss Fischer is no longer a "hi-fi" pianist: she is a distinguished, elderly lady whose technical grip sometimes falters and whose fingers often slip, though her musical instincts remain wonderfully vital.

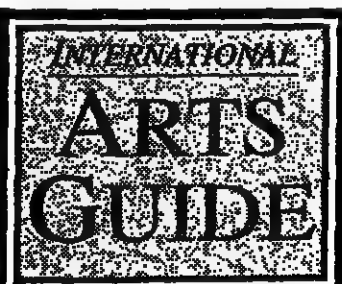
A large part of the audience attracted to a recital-series like

this one consists of younger hi-fi listeners, accustomed to nothing less than near-perfect execution - and much disconcerted by wrong notes. She should not have been playing to them, but to an audience of attentive aficionados in, say, the Queen Elizabeth Hall or the Wigmore. That said, I can report that in Schumann and Beethoven she was prodigal as ever with direct, unadorned insights.

Schumann's *Kinderweisen*, the "Scenes from Childhood", were utterly idiosyncratic: neither child's-eye nor cut-glass, but forthright and urgently felt. Sometimes bumpy, too; and Miss Fischer chose wittily to repeat section after section *ad libitum* - always, of course, with fresh lighting. That composer's Sonata in F-sharp minor emerged as a seamless

lyrical whole, with an impulse so steadily consistent that one barely noticed the breaks between movements.

In Beethoven's Sonata op. 27 no. 2, the initial "Moonlight" Adagio was strong, sonorous, emphatically pointed; the Scherzo oddly smooth and gracious, its half-staccato and rests melted away by perpetual pedalling. In the Finale Miss Fischer generated more exciting drama than I've heard from any pianist in some while. His op. 21 Sonata rose above a lot of finger-slips toward a grand, humane vision. No motorised virtuosity here, nor cosmetically ethereal effects; but a transparent, unblinking concern for the sense of the whole work. It was a kind of lesson in advanced musical ethics: just what we love Miss Fischer most for.



AMSTERDAM

Concertgebouw 20.15 James DePriest conducts Netherlands Philharmonic Orchestra in works by Sibelius and Rakhmaninov. Sat: Edita Gruberova is soprano soloist in a Schubert programme conducted by Nikolaus Harnoncourt. Sun: piano recital by Bruno Leonardo Gelber (6718 3445).

ANTWERP

De Vlaamse Opera 19.00 Silvio Varviso conducts Goz Friedrich's production of *Der Rosenkavalier*, with Marie Anne Häggander, Jeanne Piliand and Artur Korn. Repeated on Sun afternoon, also June 27 and 30 (233 6685).

ATHENS

Concert Hall 20.30 Electra's Laments: excerpts from the Greek tragedies dealing with

Electra, by Aeschylus, Euripides and Sophocles. Repeated tomorrow and Sat (722 5511).

FLORENCE

Magico Musicale Teatro Comunale 20.30 Zubin Mehta conducts Orchestra of the Magico Musicale in Chopin's First Piano Concerto (Maurizio Pollini) and Mahler's Fifth Symphony, repeated on Sat. Tomorrow and Sun in Teatro della Pergola: *La nozze di Figaro* (277 9236).

GENEVA

Grand Théâtre 20.00 Gabriele Ferro conducts Jerome Savary's production of *Attila*, also Sun (311 2311). Tomorrow in Victoria Hall: Eliahu Inbal conducts Mahler's Second Symphony (311 2511).

LEIPZIG

Tonight and tomorrow, Natalia Gutman plays Dvorák's Cello Concerto in a programme also including music by Ravel and Schoenberg. These are the final concerts in the Gewandhaus Orchestra's season (7132 252). John Dew's new production of *Così fan tutte* opens at the Opernhaus on Sun (also June 24, 27 and 30) and Mara Zampieri sings the title role in *Tosca* next Thurs (7168 273).

LONDON

As You Like It: Maria Aitken's

production of Shakespeare's comedy has just opened in Regent's Park. In repertoire with *A Midsummer Night's Dream* (Open Air 071-486 1933).

● Romeo and Juliet: Michael Meloney and Claire Holman as the star-crossed lovers in David Leveaux's RSC production. Starts previewing tonight, opens next Wed (Barbican 071-638 8891). ● The Sound of Music: Christopher Cazenove and Liz Robertson star in the classic musical by Rodgers and Hammerstein. Now previewing, opens on Mon (Sadler's Wells 071-278 8916).

● Six Degrees of Separation: Phyllida Lloyd directs the first London production of John Guare's play about a mugging victim who seeks refuge at a Manhattan dinner party. Opens tonight (Royal Court 071 730 1745).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962 MUSIC

Covent Garden 19.30 Samson et Dalila with Plácido Domingo and Olga Borodina, also Sat. Tomorrow and Mon: Der fliegende Holländer (071-240 1086).

Coliseum 19.30 Madam Butterfly with Janice Cairns and Arthur Davies. Tomorrow: Monteverdi's *Ulysses*. Sat: Falstaff. These are the final performances of the ENO season. The new season opens on Aug 27. Next week: English National Ballet (071-638 3161).

Royal Festival Hall 19.30 Katia Labèque and John McLaughlin Trio in a jazz programme. Sat: Martha Argerich is soloist with Montreal Symphony Orchestra.

Sun afternoon: Barry Douglas piano recital (071-928 8800). Queen Elizabeth Hall 19.00 Opera Factory production of Monteverdi's *The Coronation of Poppa*, also Sun. Sat: Tamas Vasary conducts semi-staged performance of *A Midsummer Night's Dream*, with Mendelssohn's complete incidental music (071-928 8800).

Barbican 19.45 Rafael Frühbeck de Burgos conducts the LSO in works by Strauss and Beethoven, with soloists Moray Welsh and Nigel Kennedy. Sun: Mstislav Rostropovich conducts concert performance of Rimsky-Korsakov's *Golden Cockerel* (071-638 8891).

PARIS

Auditorium, Forum des Halles 19.00 Kent Nagano conducts Ensemble InterContemporain in world premiere of new work by Tristan Murail, plus works by Stravinsky and Alvin Banquart (4028 2840). Châtelet 20.30 Charles Dutoit conducts Montreal Symphony Orchestra in Ravel's *Mother Goose*, Beethoven's First Piano Concerto (Martha Argerich) and Falla's *Three Corners* Hall (4028 2840). Sun at 18.00 in Cour Carrée du Louvre: Dutoit conducts a free concert with Orchestre National de France (4230 2306).

Opéra Bastille 19.30 Myung-Whun Chung conducts revival of Petrika Ionesco's production of *Otello*, with Vladimir Atlantov, Justino Diaz and Kallien Esparian. Runs till June 30, with next performance on Mon. Domingo sings the title role on June 24 and 30. Tomorrow: Marek Janowski conducts Orchestra Philharmonique de Radio France in Beethoven's Fifth Piano Concerto (Brigitte Engerer) and Bruckner's Second Symphony (4001 1616).

Palais Garnier 19.30 Ballet de l'Opéra de Paris in choreographies by Neumeier, Petit and Lander, also Sat and Mon. Tomorrow, Sun and Tues: *Il barbiere di Siviglia* (4017 3335).

PRAGUE

Erich Leinsdorf conducts the Czech Philharmonic Orchestra in works by Richard Strauss and Schubert, tonight and tomorrow in the Rudolfinum (231 9164). The Prague State Opera (formerly Smetana Theatre) has Rienzi tonight and Ambroise Thomas' *Mignon* tomorrow. Tonight at the Estates Theatre: *La nozze di Figaro*. Sun at National Theatre: *Rusalka*. For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Příkopě 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714) and theatre box offices.

ROTTERDAM

De Doelen 20.15 Jeffrey Tate conducts the Rotterdam Philharmonic Orchestra in works

by Richard Strauss and Bartók, repeated tomorrow evening and Sun afternoon (413 2490).

VIENNA

Staatoper 19.00 Bruno Weil conducts Don Giovanni, with Ruggero Raimondi, Cheryl Studer and Gösta Winbergh, also Mon. Tomorrow: *Cerha's Baal*. Sat: *La forza del destino*. Sun: Tannhäuser (51444 2960). Sun in Volksoper: Zemlinsky double-bill (51444 3316). Musikverein 19.30 Song recital by Kiri Te Kanawa, accompanied by André Previn. Sun morning: Riccardo Muti conducts Vienna Philharmonic (505 8190).

ZURICH

Opernhaus 19.30 Ralf Weikert conducts Cesare Lievi's new production of *Capriccio*, with Sona Ghazarian, Josef Protschka, Robert Holl and Olaf Bär. Runs till July 2, with next performances on Sun afternoon and next Wed. Tomorrow and Sun evening: ballets by Bertrand d'At and Bernd Roger Bienenst. Sat: Balisa and Carreras in *Carmen*. Mon: Hermann Frey sings *Winterreise* (262 0908). Tonhalle 19.30 Nello Santi conducts works by Respighi, Liszt and Rossini. Tomorrow: *Lieder* recital by Kathleen Battle (201 1580). Sat: Silvia Marcovitch's *Antonio Meneses* play *Brahms' Double Concerto* with Zurich Chamber Orchestra (252 1737). Sun: Brazilian programme with Zurich Symphony Orchestra (261 1800).

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Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0830-0900 (Fri) FT Business Weekly

SATURDAY
CNN 0630-0830 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

Super Channel 1830-2000 FT Eastern Europe Report

SUNDAY
CNN 1030-1100, 1800-1830 World Business This Week

Super Channel 1800-1830 FT Business Weekly

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FINANCIAL TIMES

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Thursday June 18 1992

Partial eclipse darkens Japan

THE CURRENT eclipse of Japan's economic sun will not last for ever. But there are more constructive ways for the Japanese authorities to remove the shadow than simply to sit, wait and pray to the gods. The Bank of Japan and the Ministry of Finance together have the power to stimulate domestic demand. Both economic and political logic suggest they use it.

The Bank of Japan's unwillingness to acknowledge the risks the economy faces is understandable, if misguided. Most economies would have buckled under the combined strain of a harsh monetary tightening and financial market collapse. But the bank has so far skillfully managed to deflate Japan's frighteningly large asset market bubble without prompting anything more than a modest deceleration of economic growth. Not even the most pessimistic observers expect Japan to suffer a fall in output, let alone a recession on the scale suffered by the US or UK. More likely Japanese economic growth will slip to a respectable 2 per cent this year.

What then, the central bank and finance ministry might ask, is all the fuss about? But Japan's policymakers cannot afford to be so sanguine. The risk Japan faces is not a sharp fall in output but instead that the return to trend economic growth will take years rather than months. For a sign of things to come, officials have only to observe the anemic recovery in America and the corpse-like state of the UK economy, and listen to the resigned tones of once optimistic civil servants and forecasters.

Japan is, in fact, suffering from the very same underlying problem that has strangled economic recoveries in the Anglo-Saxon world. Companies, consumers and banks are all burdened by varying degrees of outstanding debts. The weakness of the stock market and the accumulation of bad debts in the banking sector have already depressed confidence and activity

outside the financial community. Corporate profitability is weak and expected to deteriorate; bankruptcies are rising and overtime working is falling. Broader money growth may be sluggish because companies do not want to borrow for investment, but even if they did the banks would be in no position to offer new finance.

Yet Japan does not have to stand back and take these deflationary blows on the chin. The Bank of Japan, unlike the Bank of England, retains the ability to set a flexible course for monetary policy, and reason demands more interest rate cuts than Mr Yoshida Mieno, its governor, has so far been willing to deliver. The inflation risk is negligible as the low level of long rates indicates, and a further percentage point off the discount rate would provide welcome relief to Japan's troubled banking sector.

Similarly, the finance ministry, unlike the US Treasury, has ample room to stimulate domestic demand through active fiscal policy. The budget balance that counts - that of the general government - is in healthy surplus, and the public sector, unlike the private sector, has plenty of worthwhile investment opportunities.

The underlying strength of the Japanese economy will ensure that it eventually resumes its place in the sun, although the heat may not be quite as intense as in the late 1980s. But the Japanese authorities have a clear interest in this happening sooner rather than later. The longer growth in Japan remains slow, the more consumers will reduce their spending on imports and the larger Japan's current account will become. A looser monetary and fiscal policy is the sensible way to cut this deficit and smooth international trade relations. Inaction only increases the risk that the US or EC will try to impose a more brutal solution.

Fewer nukes

BY THE standards of the Cold war, Tuesday's Russo-American agreement to cut nuclear armaments to fewer than 5,000 warheads appears to be a truly amazing feat of good news. Even today it is good news, but those standards no longer apply. Indeed, one of its salutary effects may be to remind world public opinion that both superpowers still possess very large stocks of nuclear weapons, which would take them well over a decade to destroy.

Few people in the west any longer see Russian nuclear weapons as the instrument of a hostile power's quest for world domination. Therefore, western preoccupations are less concerned with the quantitative destructive potential of Russia's nuclear strike force than with the degree to which it is under effective political control and physically secure. The west has eagerly, almost indecently, hastened to recognise Russia as the sole legal successor of the defunct Soviet Union, mainly out of anxiety to avoid the multiplication of nuclear powers by a process of vegetative reproduction. The fiction that the former Soviet strategic forces devolved not to Russia as such but to the Commonwealth of Independent States has now been abandoned. But the precise relationship between the Russian state and those elements of the ex-Soviet armed forces - both conventional and nuclear - which remain in being outside Russian territory remains unclear.

The difficulties involved in "reintegrating" both troops and

weapons to Russian soil, in demobilising the former and in decommissioning the latter, are at once economic, technical and political. The implementation of arms control agreements - notably CFE and Start - not yet ratified by its successor states, is problematic, and dependent even in the best of cases on western help. Mr Vadim Ostin, an arms control expert attached to the Russian parliamentary defence committee, spoke yesterday of "difficulties" in implementing the Start treaty obligations, which will go on until 1993, and said that implementation of the new agreement could not begin until that of Start was complete.

In those circumstances it is probably best to regard this agreement as at once an earnest of Mr Boris Yeltsin's goodwill (conditioned, in part at least, by his desperate need for western economic aid), and as a test of his control over the ex-Soviet armed forces. It will not be fully implemented until the year 2003, or at best 2000. But it is a very important measure of nuclear disarmament by the two largest nuclear powers. In accordance with the letter and the spirit of Article VI of the Non-Proliferation Treaty. As such it should facilitate the extension of that treaty in 1995. At the same time it brings the US and Russian armaments down to a level where they can reasonably require that the next round of disarmament talks should involve the other nuclear powers as well.

EC anti-trust

IT IS IRONIC, given Sir Leon Brittan's firm stewardship of EC competition policy, that the European Commission's fitness to exercise power in this field is increasingly questioned. That, however, is as much a tribute to Sir Leon's success in placing competition policy higher on the EC agenda as it is a symptom of unease at the commission's sometimes haphazard record in enforcing it.

The need for effective EC-wide competition safeguards in a single market is indisputable and has been explicitly recognised with the passage of the EC merger regulation. However, the procedures for achieving this goal are flawed. Not only do they lack clarity, but in a community where the biggest threats to free markets are often the actions of governments rather than of companies, they are too prone to political manipulation.

This week, Sir Sydney Lipworth, chairman of the UK Monopolies and Mergers Commission urged that at least some of the EC commission's powers be transferred to an independent authority. Sir Leon has rejected such demands in the past, asserting that any alternative to the present system

would be at least as vulnerable to political interference. But while there may be some truth in his argument, it ignores two important points raised by Sir Sydney. One is that by acting as investigator, prosecutor, judge and executioner, the commission risks conflicts of interest by combining too many incompatible roles. Sir Sydney proposes giving responsibility for investigation and adjudication to a body independent of the commission, or at least of its prosecuting arm. Secondly, such a body should routinely publish its detailed findings. That would inject much-needed transparency into a system which currently imposes no onus on Brussels to justify competition decisions.

These proposals would favour fairer and more consistent decision-making, though they would not of themselves safeguard against political meddling. There is room for debate on how that could best be achieved. But for Brussels to persist in denying any need for reform would be both myopic and contrary to the principles of efficient and equitable policy which Sir Leon has sought energetically to uphold.

It was tempting, in the late 1980s, to write off Silicon Valley. Some even called it the "next Detroit", the latest example of the declining competitiveness of American industry. It appeared that the valley's famed entrepreneurial spirit was being crushed by the onslaught from Japan.

Look again. Today, this northern California complex of high-technology industries is brimming with confidence.

"People think this industry is maturing," says Mr Steve Jobs, chairman of Next Computer and as co-founder of Apple one of the valley's most celebrated entrepreneurs. "They are so wrong. Every time a technology window opens there is an opportunity completely to rearrange the industry." He agrees that the targeting of a new venture has to be more precise. "At Apple, we threw a dart at a white wall and where it landed we painted a bull's eye. At Next we are trying to do something far more ambitious because the market is more sophisticated."

If the technological opportunities seem boundless, so too is the valley's capacity to exploit them. Thanks to the momentum of innovation and entrepreneurship which began before the war and accelerated in the 1960s, Silicon Valley has a rich infrastructure of electronics engineers, subcontractors, venture capitalists, public relations advisers, headhunters and lawyers, all of whom have a part to play in getting a venture off the ground. "I could start a semiconductor company on the telephone from my home," says Mr Wilfrid Corrigan, chairman of LSI Logic, a leading semiconductor manufacturer.

Mr Andy Grove, chairman of Intel, the world's largest maker of microprocessors, compares it to the theatre business in New York which has an itinerant workforce of actors, directors, writers and technicians, as well as experienced financial backers. By tapping into this network you can quickly put a production together. It might be a smash hit, like *Star Street*, or it might be panned by the critics. Inevitably the number of long-running plays is small, but new creative ideas keep bubbling up.

"Silicon Valley is a technology crucible," says Mr Irwin Feldman, who ran a leading semiconductor company in the 1970s and is now a venture capitalist. "Every engineer in the valley has at the back of his mind that if he comes up with an interesting product he can start a company. Not too many opportunities get wasted."

Mr Dick Moley, an engineering graduate from Manchester, came to the US in 1961 to work for the engineering group Westinghouse in Pittsburgh, then for Hewlett-Packard in the valley. "I saw all these start-ups and I thought - I'll be a wimp if I don't try it." He was part of the team that created Rolm, a pioneer in computer-controlled private telephone exchanges. He is now running another start-up, Stratcom, inventor of the "frame relay" method of squeezing large quantities of data through narrow bandwidth telephone lines.

Silicon Valley's family tree, displayed on many office walls, goes back to the 1960s. Mr Corrigan, a Liverpudlian who came to the US in 1961, and Mr Grove, a Hungarian émigré, both worked for Fairchild Semiconductor, the progenitor of a long line of entrepreneurial companies. Fairchild itself was a spin-off from Shockley Laboratories, set up by Mr William Shockley, inventor of

California's Silicon Valley is enjoying a revival in innovation and entrepreneurship, write Geoffrey Owen and Louise Kehoe

A hotbed of high-tech



the transistor, in 1955.

But the valley is no respecter of grey hairs. It is a meritocracy in which everyone has a chance to succeed. It matters little where you come from, or what you have achieved in the past, only what you can contribute today.

"The American dream lives in Silicon Valley," says Mr Jerry Sanders, chairman of American Micro Devices (AMD) and another Fairchild veteran. It attracts people, according to Mr John Sculley of Apple, "who are willing to roll the dice and lose it all".

But it is not a get-rich-quick casino. It is risk-taking allied to intense effort; casual style that lightens the grind of 60-hour weeks; brasserie combined with professional pride and a desire to build great companies; intense competition tempered by a respect for the individual.

This last characteristic is widely attributed to Hewlett-Packard, one of the valley's oldest companies; it was founded just before the second world war. "Bill Hewlett and Dave Packard had a very positive view of human potential," says Mr Jobs. "That was their greatest gift to the valley; they saw people as part of the solution, not part of the problem."

Yet even Hewlett-Packard cannot live by corporate values alone. It is threatened by upstarts, such as Sun

Microsystems which invented the workstation market, aimed precisely at the professional and scientific customers which Hewlett-Packard had regarded as its own. Having painfully absorbed Apollo, one of Sun's rivals, Hewlett-Packard is now storming back, winning market share in the workstation sector.

This ability of the larger companies to re-invent themselves under competitive pressure is emerging as one of the valley's strengths. After its success in the early 1980s, Apple had to undergo what Mr Sculley, chairman and chief executive, calls "a series of wrenching re-births" before recovering its momentum.

Mr Sanders at AMD has flirted with disaster on several occasions. "When you have survived a few crises, it gives you a sense of assurance about yourself, a kind of self-worth," he says. One of AMD's crises came in the mid-1980s when part of its design team left to form Cypress Semiconductor.

There are those who question the value of the constant fragmentation of the industry through spin-offs and start-ups. Mr Sanders, for example, argues that Cypress "will never become an important global competitor".

Does the Silicon Valley model discourage the creation of strong,

global companies capable of taking the long view? Mr Grove at Intel insists on the need for "agile giants" in the semiconductor business, but the agility, he acknowledges, comes in part from the newcomers sniping at their heels.

A start-up, Chips and Technology, caught Intel napping in the mid-1980s by offering personal computer "chip sets", a kit of semiconductor parts to build a personal computer. Although Intel was at the time the sole supplier of the microprocessor "brains" chip for PCs, the sale of chips that surrounded the microprocessor was an important portion of its business.

"In retrospect it was a simple thing to do," says Mr Grove. "They thought of it, we didn't". More recently a product announcement from another minnow, Cyrix, caused the Intel share price to drop by 15 per cent in one day.

There is also a "Wild West" aspect to the valley. Today's gun-slingers are trigger happy with lawsuits, aimed at would-be competitors allegedly infringing patent rights. The plethora of litigation demonstrates that even neighbours and personal friends can be brutal competitors. "We have learnt to live in an environment where we are violent competitors one day, allies the next," says Mr Sculley. Even Japanese rivals can some-

times become allies, as evidenced by several trans-Pacific technology and marketing agreements. The technological achievements of Japanese companies, in manufacturing for example, are recognised and even admired in Silicon Valley. However, there remains a strong undercurrent of resentment - the result of Japan's alleged refusal to buy American chips - among veterans of the semiconductor industry.

Outsiders have also dubbed US chipmakers "Japan bashers", yet there is no sign of racial disharmony in the valley. Indeed, it is a melting pot of Asian, European and South American immigrants. Getting rich is a strong motivator and one that few are embarrassed to acknowledge. Hence the importance of stock options, which give employees a stake in the success of fledgling companies.

A move by Congress to tax companies on stock options granted to employees is being vociferously opposed by valley executives. "It would change everything," says Mr Roger Higgins, another British transplant who arrived in Silicon Valley 10 years ago and recently joined Clarity Software, a start-up company developing office applications programs for computer workstations.

But the Silicon Valley method of creating wealth is by building, rather than by speculation. "Whatever has been created here that has been really important," says Mr Sculley, "has been done with an incredible amount of passion behind it."

The sources of new science are the universities - not only neighbouring Stanford, which has played a seminal role in the valley's development. Apple, for example, took over work on speech recognition that had started at Carnegie Mellon University. Radical innovations within the valley itself, like the integrated circuit, are rare. "Silicon Valley people," says Mr Sculley, "are great connoisseurs of technology." When one of the so-called "paradigm shifts" occurs, the entrepreneurs are quick to move in. Many believe that Silicon Valley companies are on the cusp of just such an opportunity, created by the marriage of computer and communications technology to create a broad new class of mass market products, ranging from hand-held computers to interactive entertainment systems.

Apple's recently unveiled "Newton" technology, is a prime example. Early next year Apple will launch a hand-held "personal digital assistant", a device designed to help people keep track of appointments, and scribbled notes, send fax messages and arrange meetings. But Apple is not alone. Already, dozens of new Silicon Valley ventures have been formed to ride the new digital consumer electronics wave.

Whether or not this new technology fulfils its promise, Mr Grove of Intel is surely right to stress that business success in the 1990s and beyond will depend on speed - responding faster to market conditions, getting information around the country faster, making strategic changes faster. In an environment where product lives are shorter - "there are no safe havens", as Mr Feldman puts it - the hyper-competitive atmosphere of Silicon Valley, with its adaptable giants, cheeky spin-offs and ambitious start-ups, is an American asset which no other country has yet been able to match.

BOOK REVIEW

Plea for no muscle-play

The German, wrote Theodore Hauss, West Germany's first president, "appears more complex and inexplicable to himself and to other nations because his history is more complex than that of other countries."

One of the reasons for the complexity of Germany's history is its place on the map. It has become a cliché to affirm that Germany's position in the middle of Europe, at the crossroads of ideas and the intersection of armies, has greatly contributed to the vicissitudes of Germany's national saga during the past four or five centuries.

The byways of Germany's past, and the still open questions over the reunited nation's future, form the focal points of Michael Stürmer's book. One of the best-known German historians, with a deep interest in the nexus between economics and politics, Stürmer takes the reader on a magisterial grand tour of the deils and the high ground of his country's history.

His title underlines that this is no plea for a resumption of German muscle-play. At the beginning of the 1980s, Stürmer was an adviser to Helmut Kohl in the Bonn chancellery. Some of the misunderstandings and suspicions concerning Germany's foreign policy during the past two years - over its relationship with Moscow, for instance, or its stance on the Gulf War and Yugoslavia - might have been dispelled had a man of Stürmer's formidable analytical and public relations skills remained at Kohl's side.

Stürmer contends that German power, stretched beyond its limits under the Third Reich, and then squeezed to nothing by defeat and dismemberment in 1945, will remain highly constrained now that the nation is whole again. Germany is being reminded, Stürmer notes, of its "historical dilemma" in the centre of the continent.

Die Grenzen der Macht
(The Limits Of Power)
By Michael Stürmer
Siedler Verlag, Berlin, DM37.255 pages

Germany has the size and the influence to shape the future of the "European system". But the country itself will be shaped by the balance of forces stemming from the break-up of the Soviet Union, the redefining of the US role in the world, and the relationship with France. And the limits of German power will continue to be defined - just as they were during the years of division - by the degree of trust it earns from its neighbours.

Germany's influence is due to its position straddling east and west, as well as to the strength of its economy. But Stürmer knows that, at the heart of Europe, the ending of the Cold War creates risks as well as opportunities. Stürmer's fundamental question - "Where do Germany and the Germans belong?" - has to be posed afresh. "Between the Rhine and the Oder lies a land which must still, through painful experience, find its internal balance and its external role."

Precisely because of the uncertainties, Stürmer is convinced that Germany will be able to play this role only if it resists the temptation to become once again a "bridge" between east and west and remains firmly anchored in the Atlantic community. Stürmer ascribes great importance to maintaining the US military presence in Europe.

One of Stürmer's theses is that Hitler not only destroyed the Reich, but also undermined "the German future". With unity and sovereignty now recovered, Hitler's thrall has weakened. Somewhat ambiguously, Stürmer alludes to the tendency for Germans to become less apologetic for the crimes of the Third Reich. "With increasing distance, Hitler's

place in European history will become less sharp."

But Stürmer also expresses irritation with compatriots who use the catastrophe of the Third Reich as an excuse to prevent Germany from bearing its greater responsibilities, for instance, by sending troops on peace-keeping missions abroad. Germany will have to become "actor and not spectator" on the world stage, Stürmer writes - but he leaves unclear exactly how this new strategic role should look.

There is another intriguing gap in the book, relating to the integration of the European Community. Stürmer is a skillful guide through the paradoxes of German history. But at the end of the journey, Stürmer makes clear that united Germany's place on the political map will be determined by the degree of power it wishes to assign to supranational institutions.

Stürmer writes correctly that the new impetus in 1990-91 to European political and monetary union was part of Germany's *Berufungspolitik* (policy of calling forth), aimed at lessening distrust about the might of a united Germany. He also half-apologetically records the remark of a French diplomat equating Germany's D-Mark to France's possession of nuclear weapons. Stürmer leaves open whether Germany will be willing to take the step of monetary disarmament by allowing the D-Mark to be subsumed into a single European currency.

Like many influential Germans, Stürmer is in fact (although he does not say so in the book) sceptical about whether a European central bank will really be set up. Stürmer might have spelled out more clearly that a premature abandonment of the D-Mark is one limit on German power which his country is not, after all, willing to countenance.

David Marsh

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ECONOMIC VIEWPOINT

The phoenix that did not arise from NEDC ashes

By Samuel Brittan

It is easier to destroy than to build. This is the sort of Churchillianism that comes to mind when I hear of the government's decision to abolish the National Economic Development Council. So anyone expecting me to cheer from the rafters will be disappointed.

NEDC consists of a council of ministers, business representatives, trade unionists and a few independents. It was meant to discuss economic strategy. The main work, however, was carried out by an independent office, which also served the "Little Neddies" for specific industries.

When the body was established by Harold Macmillan in 1962, French-style indicative planning was much in vogue. Not long afterwards it went out of fashion in France itself. The idea of ministers and the "two sides of industry" fixing things around a table went out of fashion much later, basically with the failure of the "social contract" of the 1974-1979 Labour government. Nevertheless there was still a useful role for the organisation.

The National Economic Development Office's director-general, Walter Emswiler, has just pointed out that in the 1980s the organisation shifted from grand macroeconomic strategy to what he calls "supply-side improvements" in specific industries.

But there was an important macroeconomic element in NEDC in the early days. This was to press the Treasury and the Bank of England to boost demand sufficiently to secure an annual growth rate of 4 per cent. The Treasury dug in and said that 3 per cent was the maximum feasible.

The emotion which that debate engendered was comparable with that which occurred later over "shadowing" the D-Mark or joining the EMS. Charges flew back and forth and friendships were broken. This might all now seem to belong to another world. Few economists or economic commentators would argue with a straight face that government financial policies can determine whether the economy will grow on average by 4 or 3 per cent, or any other figure. Government intervention should be limited to improving the efficiency with which markets work.

And yet there is a baby with the bath water. NEDC was set up in part to form a lobby for economic growth and efficiency. There are not that many other bodies committed to growth. Government departments have their own vested interests. That applies even to the Treasury. Its goal of holding

Property prices



Source: ERS annual report

back public spending may do more to help growth than spending ministers think; but the two goals are not identical. A short-lived experiment with an independent economic voice in government was the Department of Economic Affairs under the first Wilson government. There have also been departments attached to the prime minister or the Cabinet Office, such as Lord Rothschild's Central Policy Review Unit now under Sarah Hogg.

Although many of their members genuinely believe in growth, their first task is to serve the prime minister of the day. Ministers sometimes ask why independent forecasting centres like the National Institute or the London Business School cannot do the job. They forget that forecasting - of which they claim to be specialists - is not the same as either lobbying for growth-centred policies or carrying out research into the obstacles to growth, research which often suggests making more use of markets and prices.

As for the tripartite council: Ministers sometimes ask why independent forecasting centres like the National Institute or the London Business School cannot do the job. They forget that forecasting - of which they claim to be specialists - is not the same as either lobbying for growth-centred policies or carrying out research into the obstacles to growth, research which often suggests making more use of markets and prices.

I have no doubt that ministers found it a boring talking shop. The frequency of council meetings had already been reduced in 1987. But there is still something to be said for keeping a permanent channel of communication between a Conservative government and trade unionists, and one that is not dependent on ministers saying: "They can always ring up my office if they want to see me."

The best bet now for a source of advice and influence not bound by the cabinet line is an independent Bank of England. What ever happens to the Maastricht Treaty, the momentum to increased collaboration among the Community central bankers - now under a Danish chairman - will continue to build up. The Bank of England will only be able to play its full part if it is independent but accountable.

But I am not sure that a central bank completely meets the bill. My own preferred evolution of the Office part of NEDC would have been towards a US-style Council of Economic Advisers - at a slightly greater distance from government than is the case in America. Papers from an outside source in the chancellor's box would at least be a reminder of the variety of points of view.

Ministers need to be reminded that, if you interpret growth as the growth of cash spending (nominal GDP), then it is not so absurd to put forward a growth target of 3 or 4 per cent per annum. This is low enough to put a lid on inflation but high enough to ensure that, if pay and prices are restrained, the results will not go to waste in loss of output, income and employment. (In the jargon there is a role for a nominal demand objective.)

Indeed that is what monetarism is all about when it comes to the mystification and technicalities. It is also consistent with reconstructed Keynesianism. Some organisation may well be needed to press for some minimal demand growth even if that has to be promoted internationally - say at the level of the European Community or the Group of Seven.

Such an objective will be particularly important if the economic challenge changes from one of inflation to one of deflation. If that occurs, it will not arrive neatly, with headline consumer price changes falling gradually to zero and then below. It has already been seen in commodity prices - where the fall has now levelled off - and in property prices, where the drop is still continuing.

The Bank for International Settlements remarks in its annual report: "Real estate price deflation, if that is what it should be called, might be considered to be a new phenomenon in the postwar economic history of the industrial countries... If not contained, it could not only have further repercussions on financial institutions in the countries concerned but also affect the prospects for full economic recovery."

Argument is likely to continue on whether declines in asset prices, when ordinary consumer prices are still rising, constitute deflation or not. Nearly all the great deflations with which we have been threatened since the second world war have been false alarms and only provided excuses for allowing inflation to regain momentum. Now, almost for the first time, it is worth looking out for a possible need to switch the direction of economic policy from the threat of rising prices to one of slump and falling prices. It would, however, be typically British to dismiss a potential pro-growth body when there is just a chance that there may be a need for it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please see fax for finest resolution

Way out for County Hall buyer

From Mr Gideon Nellen.
Sir, You report Shirayama's threat to pull out of developing County Hall unless the government clarifies its position ("County Hall buyer threatens to pull out", June 15).

Far from being a blow to the government if Shirayama were to withdraw, it would be a great fillip to London and a credit to the government if Mr John Major were to direct that the London Residential Body could sell the site for a nominal amount to the London School of Economics in recognition of the benefits such a use could bring to the city.

That this great building should be required for institutional use was anticipated by the LRB and Shirayama which have not "paid" £20m but by all accounts have entered into an arrangement giving both parties the option to withdraw.

It would probably help a depressed property market if Shirayama were given a way out of a development whose financing in better times has already defeated more experienced operators.
Gideon Nellen,
Nellen & Co,
19 Albemarle Street,
London W1X 1HA

Pledged shares are like stolen jewels

From Dr B D M Williams.

Sir, A thief stole some jewellery, took it to a pawnbroker and used it as security for a loan. He walked out of the shop and under a bus.

It is difficult to imagine that the law would find that the jewels belonged to the pawnbroker and not to the people from whom the thief had stolen them. What is the difference between the pawnbroker and the banks which are laying claim to the shares which Robert Maxwell had pledged with them shortly before his untimely death?

B D M Williams,
White Lea,
Beech Close,
Stratford-on-Avon CV37 7EB

Appeal should be for better statistics

From Mr Roger Saul.

Sir, City economists feel deprived because of their lack of access to the aggregated sales figures of retailers which are submitted in confidence to the Treasury. The exercise is carried out to convince the policymakers that the official retail sales statistics are, and have been for some time, misleading.

Rather than plead for privileged information, City economists should join those who for many years have appealed for the provision of better-quality official statistics.
Roger Saul,
75 West Hill,
London SW15 2UJ

Assurances and the British Gas prospectus

From Mr Jonathan P Stern.

Sir, Your leader "Time to review the regulators" (June 10) asks whether the latter are "tearing up the prospectuses published when the utilities were privatised". In the case of British Gas my answer would be yes. This observation does not relate to the much publicised raising of the X factor in the price formula but rather to the proposal by the Office of Fair Trading, subsequently adopted by the government, to reduce the tariff threshold from 25,000 therms to 2,500 therms (with a view to phasing it out entirely).

The company's prospectus clearly stated that the author-

isation to act as a public gas supplier conferred upon the company a monopoly of its present customers consuming up to 25,000 therms per annum for a minimum period of 25 years unless BG failed to comply with enforcement orders made by Ofgas or the secretary of state for trade and industry. The OFT report stated that BG had complied with all undertakings given to all regulatory bodies but that it considered further remedies were required if competition is to develop.

While not necessarily disagreeing with the OFT conclusion, this action has raised further important questions. For shareholders there must be an issue of whether assurances given in privatisation prospectuses are of any value after the dust has settled from the flotation and the government has taken its revenue. For gas consumers the reduction (and potential elimination) of the tariff threshold should give pause for thought. At the time of privatisation, a monopoly was conferred on BG in return for certain obligations towards this class of consumers. Removal of that monopoly places a question mark over the status of the company's obligations. This is not necessarily alarming, but their consequences demand more public attention than they have received thus far.
Jonathan P Stern,
88 Erlanger Road,
London SE14 3TB

Business in the Community should get back to its roots

From Mr John Eversley.

Sir, Charles Batchelor reported ("Shake-up in business support", June 5) that Business in the Community, the umbrella organisation for Britain's 300-plus Local Enterprise Agencies, plans to reduce its direct involvement in the affairs of the agencies. He goes on to quote David Grayson, BTIC managing director, as saying "We are not walking away from the enterprise agencies".

As a recently retired general manager of one of these local enterprise agencies (after nearly 10 years work in the field), I beg to differ. BTIC was set up as an initiative to assist local economic regeneration in the aftermath of the Toxteth riots to enable local and

national private sector firms to work with central government in taking local initiatives in areas of high unemployment. These initiatives could embrace support for small firms creation, support for education/industry links and a variety of other community based support activities.

When BTIC scored was in representing the agencies to government, in lobbying to initiate local mobilisation of private sector involvement and persuading British industry to give priority to community involvement as a means of addressing some of the social, economic and structural problems of the inner city and development areas.

BTIC did its job well - until it started trying to be all

things to all people. It seemed, in the mid-1980s, to consider that it had a mission of its own - to support ill-conceived environmental and urban renewal schemes, to reinvent a variety of educational link schemes, and to present itself as the voice of industry in discussions with government on training for the unemployed and the establishment of business support networks.

As a result it has not only totally lost its credibility in the eyes of LEA managers like myself - but also, it seems, in the eyes of government, since BTIC influence has been marginalised over the past four years. Instead of groping for a role which, one suspects, its industrial sponsors do not envisage, BTIC should revert

to its original role. Perhaps the failure of BTIC has something to do with its staffing and management at the centre. So many of the senior people seem to be involved in other "causes": in political lobbying and in supporting BTIC's president, instead of trying to provide a relevant service to its grass roots base. It would not surprise me if the recent articles of BTIC have so alienated local and central government that there is no hope of any concerted action in the areas described above.
John Eversley,
Tyne & Wear Enterprise Trust,
Portman House,
Portsmouth Road,
Newcastle upon Tyne, NE5 1AQ

OBSERVER

Lascivious drones

■ The jibe "No sex, please: we're British" may look to be confirmed by the Automobile Association's survey which shows that the Brits are no longer seduced by sexy cars ads. They're now far more turned on by things like mechanical reliability and good all-round vision.

But lust hasn't entirely lost its commercial pull - or so hopes intrepid Anthony Rooley, at least, who is pressing it into service in launching a record label specialising in early music.

Having set up the Consort of Musica 28 years ago, he is seeking backers under the tax-relieving Business Expansion Scheme for a new record-producing company with the self-effacing name of Musica Oscura. It should nevertheless stand out clearly among most of the other ventures formed under the scheme, which is due for to be scrapped at the end of next year because it had largely degenerated into a tax-break for private landlords.

The £350,000 the company hopes to raise will go towards 10 new discs of works by composers such as Cipriano de Rore and Luca Marenzio. But while their names seem unlikely to draw the millions, Musica Oscura is certainly doing all it can to breathe fire into their compositions. Take for instance its sleeve notes for the disc featuring Marenzio, which proclaim:

"Only classical Indian music, with its lascivious drones and undulating melodies, can rival the renaissance madrigal in creating wondrous bliss. Luca Marenzio is one of the recognised gurus of this sensual art-form, perhaps the greatest - from the lofty Petrarchan conceit addressed

to the ineffable and unattainable Laura to the highly erotic world of post-Guarini love poetry..."

Not to mention 40 per cent tax relief, to boot.

Too true

■ A male colleague has been invited to a workshop on Image and Self-Projection for Women. The letter, posted in Barbados, West Indies, adds: Help Stop Wasteful Duplicate Mailings...

Tomed down

■ Could it be that the best way to get the public to turn down a historic proposal is to make it a long one, and get them to read it? Certain Danes, reflecting on the rejection of the Maastricht Treaty, are beginning to think so.

Well before the June 2 referendum their government printed the 120-page legal text and handed out 500,000 free copies, one for every 10 of the population. The result, it seems, was that a great many of them took one look and decided they could never vote for anything so incomprehensible.

What price, then, the chances for the Norwegian government? Its bill presenting the European Economic Area Agreement between the European Community and the EFTA countries, just issued, runs to 4,707 pages and weighs in at 16lb 1½oz.

Second chance

■ "Everyone is entitled to one mistake," says Sir Peter Cazalet, APV's well-connected chairman. Nevertheless, a few eyebrows will cock at the speed with which Clive Strowger, the ex-chief executive of Mountleigh, has



found a comfortable new berth as APV's chief executive.

APV has been looking for a new chief executive for quite some time - which, coupled with the fact that Strowger has been out of a job since September, suggests he could hardly have been a first-choice appointment.

Be that as it may, Cazalet - an ex-BP man who sits on the boards of P & O and Wellcome - has taken extensive soundings and is confident he has made the right selection. Strowger, a respected ex-finance director of GrandMet, has the sort of international experience APV needs if it is to integrate its collection of businesses and avoid being taken over.

Strowger is certainly not a maverick and is understood to have been stung by last year's Stock Exchange criticism of Mountleigh's directors, especially since he used to be a member of the exchange's quotations committee. Perhaps he has been harshly treated.

Even so, his decision to throw in his lot with US entrepreneurs Nelson Peltz and Peter May in some half-baked idea of transferring

a controversial property company like Mountleigh into a proper international business, wasn't just bad luck. It was a monumental error of judgment.

Back to business

■ The Conservatives may still not be the most popular party in Scotland but there is little doubt that in dealing with the media during the election they were the slicest and best equipped of the Scottish political parties.

All credit to their 32-year-old chief press officer, Alice Lane. She was promoted to the post only three weeks before polling when her predecessor Brian Townsend suddenly resigned. So it seems somewhat crass of her bosses to sack her along with five others in post-electoral cost-cutting at head office.

In the macho style of City of London firms, the normally diplomatic party chairman Lord Sanderson ordered her to clear her desk and leave the building at once. Then he replaced her with his personal assistant, David Watt.

Luce, who had worked for the party for four years, feels badly let down, especially as - for the first time in Scottish Tory general election campaigns since 1979 - this year's ended with the party increasing both its vote and its number of seats. The party's "commitment to employing women in high places seems rather hollow," she says.

Lady Thatcher would doubtless agree.

Leading question

■ What's the name for a myopic prehistoric monster with a guide dog?
"Dyouthinksaurus Rex."

Software Sovereign.



The Bank of Scotland is the UK's oldest independent clearing bank. Since 1695, it has provided general banking services to personal and business customers, achieving pre-tax profits this year of £141 million.

The computer systems that support our services are of vital importance," says Tweedie. "And the software that supports these systems is absolutely fundamental."

The Bank uses a variety of Computer Associates' systems operations software for security, scheduling and tape management. "Our business is completely dependent on CA-ACF2 security software and CA-7 scheduling software, so the software has to be reliable," insists Tweedie.

The CA software has enabled his team to run their systems operations at optimum efficiency, helping the Bank to achieve the best cost-to-income ratio of the UK clearing banks.

And - having enjoyed a good 16-year relationship with CA - Tweedie is banking on CA to continue providing reliable software with multi-platform functionality in the future.

"They're very responsive to our needs, and have improved as they have become a more substantial and mature company."

He sums it all up: "Through the years, we have always evaluated CA software very thoroughly against competitive products. There are many criteria: it has to be functional and reliable; it has to interface with other software; and it has to be cost-effective."

"Since 1976, CA has consistently delivered this - and our business has certainly profited!"

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A French couple struggle with their baby carriage through tons of potatoes strewn on the road in Brest by farmers who have been protesting for the past week against planned reforms in the European Community's Common Agricultural Policy.

Ripa di Meana calls for cities to be free of cars

By David Buchanan in Brussels

MR Carlo Ripa di Meana, the EC environment commissioner, said yesterday he was ready to become car-less, and so should other city dwellers, to prevent Europe's cities being choked by the internal combustion engine.

Saying he was ready to set the example of abandoning his Alfa Romeo, Mr Ripa di Meana unveiled a study showing that it would cost between two and five times less to live and work in car-free cities because of the savings people could make in not having cars to buy, park, insure and maintain.

Mr Ripa di Meana, an idealist who stayed away from this month's Earth Summit because of its failure to take sufficiently tough action on the planet's environment, insisted the report showed that car-free cities could be a practical prop-

osition. Limited numbers of cars in city centres could be made to pay steeper fees for parking, and city authorities could be persuaded to invest more in public transport, escalators and moving walkways.

Following the lead of Amsterdam, whose residents recently voted to restrict cars in their city centre, other cities ranging from Naples in Italy to Bath in England had become interested, Mr Ripa di Meana said, in making the transition from what he called "the car dream to the dream city - the car-less city".

The Commission plans to convene a meeting in September of interested city leaders to exchange ideas on ways of "adapting the car to the city, instead of the city to the car", the commissioner said.

Mr Ripa di Meana said he was far from hostile to cars, which would always have a

use on longer, out-of-town journeys. But he was ready to make an Italian's ultimate sacrifice by giving up the use of his own car, "a red Alfa Romeo with a three-way catalytic converter, which runs on unleaded petrol".

He has made sacrifices before. "I used to own an XK150 Jaguar of the kind that won Le Mans after the Second World War. But it was very heavy on petrol, and now I only have a miniature of it on my desk".

Mr Ripa di Meana has recently proposed levying a special Community eco-tax on carbon fuels.

Curb his love affair with the car has not been easy, though. Three years ago he took part in the vintage car rally from London to Brighton. "It was freezing", said the Italian commissioner, "but I loved it".

Daily News 'was conduit for Maxwell transfers'

By Alan Friedman in New York

MR KEVIN MAXWELL is alleged to have used the New York Daily News as a conduit for fund transfers from Maxwell companies in London to banks and companies around the world.

According to US newly obtained court documents filed by the Daily News, the transactions were outside "the ordinary course" of the newspaper's business.

The newspaper, bought by Mr Robert Maxwell in March 1991, has named his son Kevin as having "authorised and directed" the fund transfers between March 21 1991 and November 29 1991. The other person named as directing the transfers was Mr Robert Maxwell, who died on November 5.

The issue of the fund transfers is the subject of a legal dispute in the US between the Daily News and other parties, including Mirror Group Newspapers of the UK. MGN was floated in the UK by the Maxwell empire last May.

The Daily News court submission was made as part of the paper's bankruptcy proceedings three months ago. It alleges that during the March-to-November 1991 period the UK funds were received by the Daily News "and transferred to various entities in virtually simultaneous transactions other than in the ordinary course" of the newspaper's business.

The Daily News added that the funds served "no business purpose" of its own and that the newspaper was "utilised merely as a conduit by Robert Maxwell or his affiliated companies or family members for such transfers".

The News is itself being accused in the US courts of aiding and abetting a conspiracy to defraud MGN of \$50m (\$91m). The Daily News, which has denied any wrongdoing, is facing claims from MGN and from the UK administrators of the Maxwell private companies for a total of more than \$200m of Maxwell fund transfers. This money came to the Daily News from both private and public Maxwell companies in the UK and elsewhere.

It was learned last night that Britain's Serious Fraud Office (SFO) is investigating a specific \$50m transfer from MGN to the Daily News that occurred on October 21 1991.

Court documents filed by MGN this week in the US concerning the \$50m transfer accuse the Daily News of being liable for fraud, aiding and abetting conspiracy to defraud and aiding and abetting MGN directors in a breach of their fiduciary duties.

The court filing also asserts that both Mr Robert Maxwell and Mr Michael Stoney, the former deputy MGN managing director in charge of finance, were responsible for the misappropriation of MGN funds and a violation of their fiduciary duties to MGN.

THE LEX COLUMN

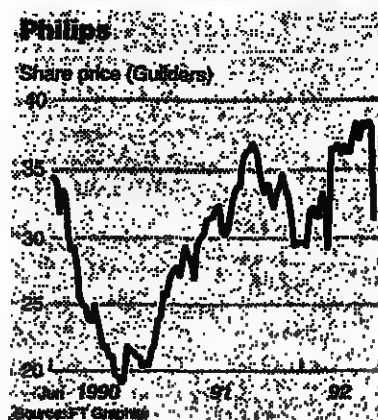
Cable's calming message

Judging by the 4 per cent rise in its shares, yesterday's annual results from Cable and Wireless were a successful exercise in investor reassurance. But it is too early to conclude that the shares deserve more than a limited re-rating following their 15 per cent underperformance this year. After the abortive AT&T talks and fumbled senior management changes, C and W needs to do more than remind the market that its main businesses have unusual scope for growth. Management must now convert that into profits.

The figures were marred by a \$70m exceptional charge which held the pre-tax rise to 6 per cent. Thanks to the collapse of the Jamaican dollar, the charge was \$18m higher than expected. Nevertheless, the 12.3 per cent full-year dividend increase was more than adequate compensation, and the one-third jump in Mercury's trading profit to \$155m was a welcome bonus.

With global alliances ruled out as insufficiently profitable, C and W's strategy is to concentrate on basic telecoms and mobile telephony, using the lucrative business market as a bridge. That will require annual investment of \$1bn for the next three years, while gearing will rise to around 40 per cent this year. The weak dollar remains a hindrance - each one-cent movement against sterling affects the bottom line by \$3m. All the same, either Mercury or Hong Kong Telecom should be enough to give C and W a competitive advantage. If the sluggish UK economy fails to push Mercury along, Hong Kong Telecom's link with China should oblige. It is hard to deny the group's long-term attractions.

FT-SE Index: 2598.4 (-17.9)



pretation is that, while the consumer electronics market has become even more competitive, Philips' wider recovery effort is scarcely off the rails. The management's assumption was that consumer business would stabilise after price falls in the first quarter. Instead, May saw further pressure on prices, particularly in Europe. Hence, yesterday's warning about the second-quarter performance.

As today's results from Nokia Data should show, Philips has not been suffering alone. Even Sony has already felt pain. It is indeed rational for investors to calculate that Philips will probably not have the mettle to pay a dividend if earnings are lower this year. Doubtless they will also remember that any payment would always be nominal. Despite yesterday's fall, those who backed the shares for recovery may reflect that the long-term odds remain in their favour.

Philips

Given that the market had hoped there would be no more bad news from Philips, yesterday's 15 per cent drop in the share price was perhaps an understandable reaction to the profits warning. The question is whether the market over-reacted. On a negative reading, Philips' protracted restructuring programme has done little to reduce the group's vulnerability to leaner competitors in consumer electronics. Moreover, any dent in its recovery has implications for its ability to resume dividend payments. On this view, the shares are best avoided until the extent of the damage becomes clearer when second-quarter figures are revealed in August. Arguably, a more persuasive inter-

NFC

There is something comfortably predictable about NFC. In announcing flat first-half profits of \$45m, it confirmed its forecast of \$20m-\$100m for the year. Moreover, it gave the City no particular reason to question the forecast. That may explain the 4 per cent jump in the shares yesterday. Recent weakness has been above all due to fears NFC would not escape the downgrades to which much of the rest of the transport sector has been subject.

Granted, the company could do with some economic recovery to boost its truck rental and home removal business. Its figures point to some improvement between the first and second quarters, but that may be

mostly due to a heavier bill for redundancies in the first quarter. Nor should one read too much into the planned additions to its rental fleet. Trucks can be sold as well as bought. NFC's current appeal owes something to the fact that it is less of a cyclical stock than other companies in this sector. Its logistics division is a leading player in the growing dedicated distribution market which is both difficult for competitors to enter and relatively recession proof. On the basis of its own forecast, NFC is on a prospective multiple of about 18. That is not particularly expensive, but other transport companies may eventually have more recovery potential.

UK economy

It looks suspiciously as though some manufacturers became a little over-optimistic about the economy around the time of the general election. While output of consumer goods industries rose by 1.5 per cent in the three months to April, retail sales actually fell by 0.1 per cent between March and May. The classification of consumer goods is not quite uniform from one statistical series to another, so there may be nothing behind this apparent discrepancy. The standard explanation is that increased production was going to rebuild stocks ahead of anticipated economic recovery. That is fine so long as the recovery actually takes place. If demand fails to grow, the 1 per cent rise in overall manufacturing output over the past three months is unlikely to reflect a lasting trend.

Yesterday's retail sales figures did not, however, offer much reason to hope for solid growth in consumer demand. The further jump in clothing and footwear sales looks remarkable at first sight, but is probably no more than a response to the unseasonably warm weather. The depressing reality is that seasonally-adjusted household goods sales are back to their lowest level since January - another reminder that sustained recovery will require an upturn in the housing market, which is still distressingly remote.

There was a further curiosity in yesterday's industrial production figures. Output of investment goods fell by 1 per cent over the three months to April, which sits oddly with recent sharp increases in imports of capital goods. The sinister interpretation is that when recovery does finally come, it will not be to the benefit of the UK investment goods industry, but to its foreign competition.

Undecided Irish voters key to Maastricht referendum

By Tim Coome in Dublin

ONE in four voters in today's Irish referendum on the Maastricht treaty is still undecided, according to a public opinion poll published yesterday.

The poll, published in the Irish Times, showed that although declared "yes" voters outnumber "no" voters by 46 per cent to 38 per cent, more than half of those polled believe the government has handled its pro-Maastricht campaign badly.

Even Mr Albert Reynolds, the Irish prime minister, said only that he was "cautiously encouraged" by the results of the poll.

Campaign managers for the "yes" vote yesterday complained that some priests in rural areas are actively campaigning against the treaty, in spite of a decision by Catholic bishops to keep the Church neutral.

The 2.5m Irish voters will begin heading for the 5,000 polling stations after they open at 8am today. The result will not be available until Ireland's principal returning officer makes a declaration around noon tomorrow.

The result will have a profound impact on the future economic and political course of the European Community.

If the Irish follow the Dames and vote "no", there seems little doubt that the legal framework for the creation of a common currency and common citizenship for some 340m people will have to be scrapped. If they vote "yes", there are hopes that the remaining 10 EC states will ratify the treaty.

As in Denmark, the opinion polls showed a significantly greater proportion of women than men were undecided. And considerably fewer women (44 per cent) than men (55 per cent) said they would vote "yes".

Both feminists and anti-abortion groups have been campaigning actively for a "no" vote and should the treaty be defeated in spite of the poll predictions, women's votes will clearly have been an important factor.

A large sector of the "no" camp has run a clever campaign, championing liberal causes such as the

environment, neutrality, job promotion and women's rights. It has argued that ratification of Maastricht will have adverse effects in all these areas.

In addition many of those who voted positively in previous referendums on European issues, such as the previous one in 1987 which approved the Single European Act, may find themselves divided between an economic decision on the one hand, and a moral one on the other due to the complication of the abortion issue.

The overall weakness of the "yes" campaign, in contrast to the vitality of its opponents, together with the continuing large number of floating voters have thus created considerable uncertainty over the outcome.

Mr Michael Gallagher, a political science lecturer at Trinity College in Dublin, said: "I have no doubt the polls have been done as accurately and as professionally as in the past, but no one is too confident in them now since the recent experiences of Denmark and the UK [election]."

Maastricht reports, Page 3

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Maastricht reports, Page 3

US chief executives hopeful on economy

Continued from Page 1

tions compared with those six months ago, their expectations for the economy six months ahead, and predictions for their own industries.

The most recent survey notes a sharp improvement in business leaders' assessments of current conditions.

Nearly 80 per cent said the economy had improved in the

past six months; only 30 per cent expressed such optimism in the previous survey.

Chief executives are also more optimistic about the outlook for their own industries; 65 per cent reported an improvement, against fewer than 40 per cent in the first quarter.

The "overwhelming majority" of chief executives are optimistic, said Mr Jason Bram, an economist at the board.

Three out of four business leaders predicted an increase in their companies' profits over the next year, with only 6 per cent expecting a fall.

Executives cited growth of demand as the main source of higher profits. Only 12 per cent said they expected to generate profits by raising prices, indicating that inflationary pressures may remain subdued during the recovery.

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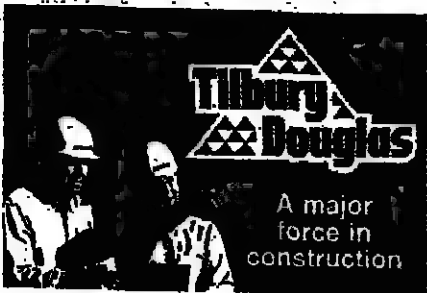
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World Weather		°C		°F		°C		°F		°C		°F	
		Boulogne	S	18	64	Frankfurt	S	22	72	London	F	17	63
		Brussels	S	18	64	Geneva	S	23	73	Madrid	F	22	72
		Buenos Aires	R	23	73	Hamburg	F	17	63	Munich	F	17	63
		Cairo	S	23	73	Heidelberg	F	17	63	Nuremberg	F	17	63
		Dakar	S	32	90	Helsinki	C	10	50	Regensburg	F	17	63
		Cape Town	S	15	59	Hong Kong	C	—	—	Rhodes	S	24	76
		Cebu	S	24	75	Hong Kong	C	—	—	Rhodes	S	24	76
		Chongqing	F	22	72	Inverness	O	6	43	Stuttgart	F	17	63
		Casablanca	F	26	79	Intarnat	S	41	106	Taipei	S	23	73
		Catago	F	26	79	Intarnat	S	41	106	Tokyo	S	23	73
		Chengdu	F	22	72	Intarnat	S	41	106	Ulm	F	17	63
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FINANCIAL TIMES COMPANIES & MARKETS

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Thursday June 18 1992



INSIDE

IBM puts its chips on the market

IBM is for the first time to sell microchips to outside customers and aims to sell \$500m-worth within three years. The largest chip-maker in the world, it has until recently used all its chips in its own machines. The latest strategy represents a marked change of practice, and is part of an IBM move to raise \$3bn from sales to original equipment manufacturers by next year. Page 21

A walk-on part for Japanese

A rush by Japanese pharmaceutical companies to invest overseas in the late 1980s appeared to signal their entrance on the world stage. But Japanese pharmaceutical groups are far from completing the Toyotas or Matsushitas of the global drug market. In spite of strong efforts by some groups, the country's pharmaceutical industry has been unable to break into overseas markets. Page 22

Out-negotiated in Indonesia

Indonesian government officials are celebrating a record number of contracts signed with foreign oil companies. But oil company executives are looking increasingly down in the mouth about their future in Indonesia, which would appear to hold great profits for foreign companies. As one executive admitted: "The oil companies have proven to be poor negotiators in the past. The Indonesians have tended to get the better of us." Page 34

Warning on Olivetti

Olivetti, the Italian computers and office equipment group, suffered a 4 per cent drop in sales in the first four months of this year and may require further restructuring before returning to profitability, warned Mr Carlo De Benedetti, chairman. Page 22

Digital Equipment reorganises

Digital Equipment, the world's third largest information technology group after IBM and Fujitsu, is reorganising its European operations in a bid to restore flagging sales and profitability. Page 21

Kenwood valued at £105m

Kenwood Appliances, the UK kitchen equipment maker, will go on sale to the public at 285p next week, valuing the management buy-out from Thorn-EMI at £104.6m (£190m). Half the 23.2m shares for sale were placed yesterday with institutions. Page 28

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Chief price changes yesterday

FRANKFURT (DEM)		PARIS (FFP)	
Index	760 + 12	Index	402 - 18
Auto	575 + 12	Auto	1413 - 47
Chemicals	575 + 12	Chemicals	322 - 13
Food	193.5 - 8	Food	144 - 13.5
Colonia Konzern	885 - 15	Colonia Konzern	885 - 15
Hoechst	277 - 11	Hoechst	277 - 11
Lufthansa	129 - 6	Lufthansa	129 - 6
NEW YORK (DOLLAR)		TOKYO (YEN)	
Index	63.5 - 1.5	Index	800 - 118
Auto	39.5 - 1.5	Auto	325 - 45
Chemicals	41.5 - 2.5	Chemicals	350 - 40
Colonia Konzern	45 - 1.5	Colonia Konzern	45 - 1.5
Hoechst	277 - 11	Hoechst	277 - 11
Lufthansa	129 - 6	Lufthansa	129 - 6
LONDON (PENCE)		LONDON (PENCE)	
Index	34.5 + 0.5	Index	34.5 + 0.5
Auto	154 + 10	Auto	154 + 10
Chemicals	580 + 20	Chemicals	580 + 20
Food	90 + 4	Food	90 + 4
Colonia Konzern	885 - 15	Colonia Konzern	885 - 15
Hoechst	277 - 11	Hoechst	277 - 11
Lufthansa	129 - 6	Lufthansa	129 - 6
Amoco	114 + 6	Amoco	114 + 6
BP	261 + 10	BP	261 + 10
Castrol	92.5 + 5.5	Castrol	92.5 + 5.5
Elf	277 + 18	Elf	277 + 18
Esso	43.5 + 3.5	Esso	43.5 + 3.5
Shell	274 - 18	Shell	274 - 18
Unifin	750 - 20	Unifin	750 - 20

Banco Santander loan probe widens

Peter Bruce on the investigation into possible tax fraud at Spanish bank

MR EMILIO BOTIN, president of Banco Santander, one of Spain's largest commercial banks, has been subpoenaed to appear tomorrow before a Madrid judge who is conducting a preliminary investigation into possible tax fraud using loans worth around \$1bn made by the bank between 1987 and 1989.

A Canary Island court earlier this week released two Banco Santander officials on bail of \$1m as the investigation spread nationwide.

The tax authorities have been trying for three years to find out to whom a series of off-balance sheet loans were made. The authorities want to know whether these borrowers were using the loans to launder undischarged income.

The issue revolves around *cesiones de crédito*, or assignments of credit. These were widely used by Spanish banks in the late 1980s after the Bank of Spain, the central bank, tried to slow credit growth by sharply

raising its coefficients - obligatory, interest-free deposits made by banks with the central bank to cover deposits and loans.

The banks found a loophole allowing them to sell parts of their loan portfolios to third parties - mainly large corporate borrowers - and thus take normal credits off their balance sheets. This meant they would escape having to make deposits with the central bank and having to deduct withholding taxes.

The assignments were made

subject to central bank ratios in summer 1989. Santander said yesterday it had stopped making assignments after the loophole was closed.

Analysts in Madrid think it unlikely the authorities would want to threaten Santander's standing in the banking sector. Mr Antoni Zabala, head of the revenue service, said there was "no question about the bank's viability" when he announced details of the investigation earlier this year.

The tax authority has been trying to find out who the third-party buyers were, whether they were declaring the loans, and whether Santander knew what was happening to the money.

The revenue service says it has investigated 40,000 loans, worth \$4bn, made by Santander between 1987 and 1989. It says it cannot identify 3,000 of the third-party borrowers and that a number of them may have been fictitious.

BICC in £55m US power cable deal

By Andrew Seliger

BICC, the UK-based cables and construction group, yesterday announced a £55m deal which will double its share of the power cable market in North America.

BICC Cables, the group's North American subsidiary, has provisionally agreed to buy the electrical division of Reynolds Metals, a leading maker of transmission and distribution cables in the US and Canada.

Reynolds' electrical division employs 900 people in factories in Washington State, Texas and Arkansas in the US, and LeMaitre in Quebec, Canada. No decision has been made on how many people will transfer to BICC.

BICC's purchase is in line with the strategy outlined when making a £154m rights issue last month. It said companies in the fragmented and recession-hit North American cable industry could now be bought cheaply.

The UK group itself suffered from the downturn. In March BICC described its slide last year from an annual profit of \$24m in North America to a loss of \$3m as the group's "biggest single disappointment".

Reynolds' does not disclose profits on the \$200m annual sales by its electrical division, but said the disposal would have no material effect on its operating results.

BICC also said the acquisition would have a neutral effect on its results in the short-term.

Although the deal will double BICC's share of the North American cable market to about 25 per cent, the UK group said it did not expect to face any regulatory obstacles.

As part of the transaction, Reynolds will have a long-term agreement to supply BICC with aluminium rod from its new rod mill in Beaumont, Quebec.

BICC Cables intends to integrate the Reynolds US operations with its Cablec Utility Cable Company in the US and the Quebec operation with the utilities division of Philips Cables.

BICC Cables employs 3,200 in 17 North American plants. BICC announced the sale to private investors of Metal Manufactures Construction, the group's loss-making Australian electrical and mechanical engineering contracting business.

The consideration of \$42m (US\$1.50m) is net book value of the business, after extraordinary provisions of \$13m (US\$2.66m) taken by BICC in March.

Banks, seeking to boost their

Stefan Wagstyl on the ebbing confidence in the Tokyo market

Profit forecasts deal further blow to Japanese investors

Among the many blows raining down on investors in the Tokyo stock market this week, the heaviest have been warnings about the grim outlook for corporate profits.

Gloomy forecasts published this week by leading securities groups have helped to squeeze the last drops of confidence out of the market.

Yesterday the Nikkei index fell 507.73 to 16,445.8, setting a new low for the fall in stock prices which began in 1990.

Ten top brokers' research centres predicted pre-tax profits of large Japanese companies would fall in the current financial year which ends in March 1993 - it would be the first time since the Second World War that profits have fallen three years in a row.

The brokers forecast an average decline of 9.9 per cent for all industries and of 12.9 per cent for manufacturing companies, which are more exposed to swings in the business cycle.

Nomura Securities, the largest brokerage, predicted falls of 12.1 per cent and 15.5 per cent.

The forecasts contrast sharply with corporations' own forecasts of declines averaging around 5 per cent, except for financial groups.

Until a few months ago, many companies accepted the government's forecast of 3.5 per cent economic growth in the year to March 1993 and based their profit predictions on this figure. But there are growing doubts in Tokyo that the economy will actually grow at this speed.

The stockbroking companies this week put themselves firmly in the pessimists' camp. For example, Nomura's profits forecasts are based on the assumption that growth will only reach 3 per cent this financial year and will recover only slowly to 2.5 per cent next year.

Profits are being squeezed by this slowdown in the economy, as companies' incomes fall faster than costs. In spite of intense efforts to trim spending, run down inventories and reduce capital spending.

Groups are cutting recruitment but cannot sack existing staff, except as a last resort. Companies also face increased depreciation charges from the huge investments made in the boom of the late 1980s, which totalled around ¥400,000bn (\$3,200bn) for the economy as a whole.

Furthermore, borrowing costs for listed companies will rise as around ¥15,000bn of equity-linked bond issues fall due by March 1994.

Banks, seeking to boost their

own profits, will attempt to extract better margins from borrowers.

Smithers, a British securities research boutique, estimates that every 0.1 percentage point increase in borrowing costs reduces corporate pre-tax profits by 2 per cent.

Finally, companies face further losses from the financial investments made in the speculative boom of the 1980s.

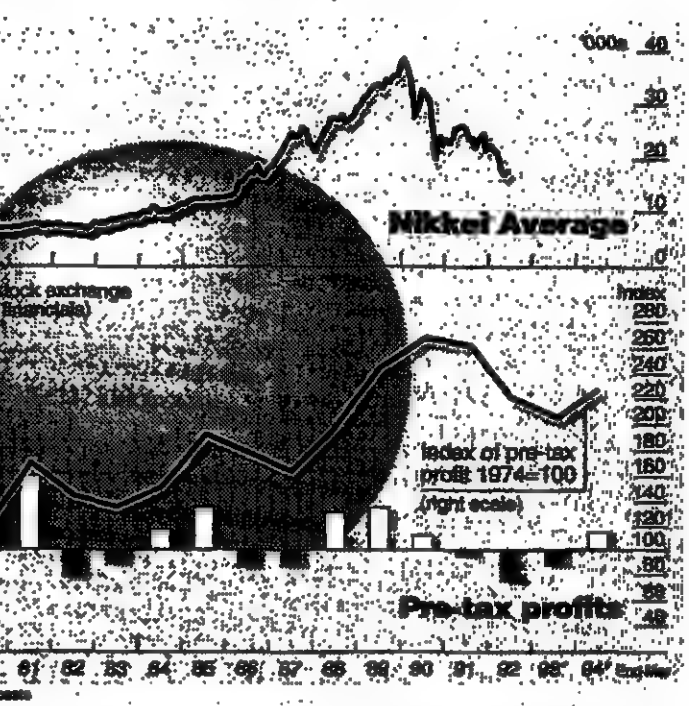
For some groups, notably Sharp, the electronics group, financial revenues account for more than half of total profits. Even conservatively managed groups which put their funds into safe cash deposits face falling income as interest rates have fallen from their peak in 1990.

A recovery in profits will depend crucially on a recovery in the economy. Even the government's Economic Planning Agency this week admitted it would be "difficult but not impossible" to meet the official target of 3.5 per cent growth for the current year.

Private sector economists even believe the forecast could be cut if more evidence of weakness in the economy emerges. But the EPA still believes that a recovery will come in the autumn.

However, a slow recovery would mean a very weak rebound in profits. Nomura believes that profits in 1993-94 may rise only 9.6 per cent for leading non-financial companies. Yamachi Securities foresees an increase of just 11.8 per cent.

These figures will bring little



joy to stock market investors. In spite of the near-60 per cent fall in the Nikkei index from its all-time high, Japanese stocks are not cheap.

Stocks in the First Section of the Tokyo Stock Exchange trade at around 40 times prospective earnings for 1992-93. That is well below the peak of 70 recorded in the late 1980s but is still near the top of the 30-to-40 range of the early 1980s. The implication is that investors still hope for a faster recovery in profits than the brokers are forecasting. They might possibly be right.

The government and the Bank of Japan might act to boost the

economy through increased public spending and further cuts in interest rates. Construction and interest-rate sensitive stocks might respond and lift the whole stock market.

Economic policymakers at the Bank of Japan and the Ministry of Finance have repeatedly said that executives' and investors' sentiment is worse than economic reality. If so, then sentiment could turn sharply once executives and investors realise that they are wrong.

But there is precious little evidence this week of an imminent change of heart.

Nikkei falls, Back Page

Upjohn warning hits share price

By Karen Zagor in New York

SHARES in Upjohn, the US pharmaceuticals group, tumbled to a 52-week low yesterday morning after the company said its second quarter earnings would not surpass last year's. It laid partial blame on the damage done by the Halcion sleeping pill controversy.

In the 1991 second quarter, Upjohn had net earnings of \$124.4m, or 70 cents a primary share, compared with income of \$111m, or 62 cents, in the same period of 1990.

Upjohn also said it would offer voluntary early retirement to about 1,100 employees, taking charges in the third quarter.

On Wall Street, shares in Upjohn fell 1% to close at \$32. The stock was above \$47 before concern about possible side-effects of the world's fastest-selling sleeping pill exploded into an international debate over the drug's safety late last year.

Although Halcion will probably remain on the market in the US, it has been banned in the UK. Sales dropped 39 per cent in the first quarter of this year. Last year Halcion brought in \$237m of Upjohn's \$3.2bn sales.

Upjohn's agricultural businesses has also been hurt by the recession and drought but Mr Theodore Cooper, chairman and chief executive, does expect earnings and sales to increase in 1992.

The news of weaker second quarter earnings and job cuts comes after an announcement of a temporary freeze on hirings and salary increases.

Analysts have been concerned about Upjohn's prospects for many months, citing the lack of new drugs in the company's pipeline and the number of important drugs that will lose their patents by the end of 1994. These include Halcion, the Xanax tranquiliser, the anti-inflammatory agent Ansaid and Miconazole for diabetes.

Mr Sam Isaly, analyst at Mohr & Isaly in New York, said: "Upjohn faces a bleaker and bleaker future. It will lose at least half its sales and the equivalent in profits when its products come off-patent."

Although Upjohn expects the US Food and Drug Administration to approve as many as six new products or product line extensions this year, Mr Isaly does not believe these drugs are big enough to compensate for the other drugs coming off-patent.

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Fidelity Investments

C and W rules out global alliance as it rises 5.7%

By Roland Rudd in London

LORD YOUNG, chairman of Cable and Wireless, the UK-based international telecommunications group, yesterday said he was talking to groups about partnerships for specific projects but ruled out a global alliance.

His comments came as the group unveiled a 5.7 per cent increase in pre-tax profits to \$644m (\$1.17bn) for the year to the end of March. Turnover increased from £2.5m to £3.1m.

The increase in pre-tax profits was achieved after £70.3m of exceptional items relating to group rationalisation, the merger of Mercury Personal Communications with Unitel, a US-owned operator, and the devaluation of the Jamaican dollar.

Before the UK election in April Cable and Wireless was in talks with American Telephone and Telegraph (AT&T) about a possi-

ble global alliance. The talks broke down because of AT&T's concern about the outcome of the election.

Reports that AT&T wants to reopen talks followed re-election of the Conservative government.

However, Lord Young ruled out further talks about a global alliance. He said: "We do not believe it is in our interests to form a global alliance with anyone. We are in talks with everyone about the possibility of establishing individual partnerships over individual projects."

Since Cable and Wireless rejected a BT Synordia-type strategy - taking on the world's big telecommunications groups - it no longer believes that a global alliance would be in its interests.

Lord Young said: "We felt that there was not sufficient returns out of a Synordia-type strategy taking everybody on everywhere."

It also required significant capital expenditure.

Instead the group will concentrate on business services, basic telecommunications in its traditional areas of strength such as Asia and the West Indies, and mobile phones.

It is looking at establishing a joint company with Intertelecom in Russia, which would provide a service to western Siberia, the "Golden Ring" of large towns surrounding Moscow, and St Petersburg. "In 25 years people may say this was the best decision the group ever made," said Lord Young.

Earnings per share were down 4 per cent to 30.1p because of exceptional items and the higher tax charge of £134m compared with £115m. An increased final dividend of 9p (against 8.1p) makes a total of 39.25p compared with 38.1p.

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INTERNATIONAL COMPANIES AND FINANCE

UK transport group says recession may be ending

By Roland Rudd in London

MR JAMES WATSON, chairman of NFC, the UK-based transport and distribution business, yesterday said there were signs that the UK recession was coming to an end.

In spite of reporting unchanged pre-tax profits of £39.5m (£72m) for the half-year to April 18, Mr Watson said he was encouraged by a sustained improvement in the truck rental market.

Mr Watson said: "We have seen signs of recovery in the past which have not lasted, although the present signs of an uplift appear to be more sustained than before."

"Nonetheless, growth is likely to be slow."

NFC's traditional transport division reported a fall in operating profits from £14.4m to £12.6m.

In the second quarter, however, it reported £7.5m profits, just £100,000 down on the comparable figure.

At the end of the August, the group has the option of taking another 650 vehicles increasing its fleet of trucks from 1500 to 2200.

The group confirmed its "best view" of pre-tax profits for the year end in the range of £90m to £100m.

Half-year sales were £279m, up from £281m. Logistics, which provides transportation and warehousing facilities for goods sent from manufacturers to distributors, increased profits by 15 per cent to £22.4m, up from £19.5m.

One of the ways NFC is expanding Logistics is by following its clients into different countries.

For example, when Marks and Spencer opened shops in Spain, it asked NFC to establish a distribution centre there.

Operating profits from Hyperion's property division were

£2.9m compared to £3.1m.

NFC is still looking for a buyer for its Pickfords retail travel business.

Mr Watson said: "We are having a close conversation with someone at the moment."

The group expanded its international business with acquisitions in Europe and the US.

Mr Watson said he was confident more than half of the group's profits would come from operations outside the UK by 1995.

Overseas profits now account for 35 per cent of the group's operating profits.

Interest costs were £200,000 down at £4.6m, as gearing was reduced to 32 per cent from 45 per cent at the first quarter-end.

Earnings per share remained unchanged at 5.7p. A second interim dividend of 1.4p makes a total of 2.7p for the year so far compared with 2.5p.

Lex, Page 18

Murdoch in boardroom coup at Antena 3

By Peter Bruce in Madrid

MR RUPERT MURDOCH, the Australian-born media group owner, yesterday joined forces with a Spanish magazine publisher and Mr Mario Conde, president of the Banesto banking and industrial group, in a boardroom coup at one of Spain's commercial television channels, Antena 3 TV.

A board meeting in Madrid yesterday elected Mr Antonio Asensio, president of the Grupo Zeta publishing group, chairman of Antena 3 after the resignation of Mr Javier Godo, the Count of Godo, who founded the channel nearly three years ago and who is owner of Spain's oldest newspaper, La Vanguardia.

Mr Murdoch and Mr Conde were also elected to the board. The move came after Mr Murdoch and Mr Asensio formed a joint venture and bought up to 25 per cent of Antena 3 from minority shareholders. Mr Conde is separately understood to have bought a further 20 per cent of the channel. The stealthy stock purchases, reportedly worth some \$100m, were financed by Banesto.

Antena 3 owns the daily newspaper, Ya, which circulates mainly in Madrid. Mr Murdoch's holding company, News International, has held a 25 per cent stake in Grupo Zeta for some time. Zeta bid for and failed to win one of the three private TV licences the Spanish government awarded in 1989.

The government has to approve the new ownership and while it was said to be irritated by the coup - it views Mr Conde as a potentially dangerous conservative political rival to the ruling socialist party - officials at the prime minister's office said the new shareholdings would be respected.

Earlier this year, Mr Conde signed an agreement with Mr Godo under which Banesto would take stakes in Antena 3 TV and La Vanguardia. But after pressure from the government and journalists on La Vanguardia, he reneged on the deal.

Old memories revived at Philips

Confidence in the Dutch group has been shaken, writes Ronald van de Krol

PHILIPS' problems in consumer electronics could not have come at a worse time. Investor confidence had been returning gradually after the upheavals of 1990 and 1991, and the Dutch company's shares have stood around 12-month highs for most of May and June.

But yesterday's surprise from Philips that it is unlikely to meet its 1992 profit forecast has wiped out the fragile, emerging belief that the group may have put the worst of its troubles behind it.

Still, the dramatic 17.6 per cent decline in Philips' share price was a sign of continued disillusionment with the company's investor relations as well as a reflection about overall strategy. Analysts were taken aback by Philips' announcement, but were quick to point out that the company is in the same boat as most other manufacturers of consumer electronics. The news was especially surprising because the company had failed to indicate at a meeting with analysts last week that its consumer electronics business had deteriorated further.

Only last month, the company had described its first-quarter figures as "satisfac-

tory", despite the fact that consumer electronics had slipped into the red.

The latest profit announcement revived memories of the "bad old Philips" which sprung surprises on financial markets and failed to meet profit targets. But there were also traces of the "new Philips" which Mr Jan Timmer has tried to create since taking over in July 1990: this time, the company at least prepared investors for the bad news it will be issuing when it releases second-quarter results on August 6.

The stock market's sharp reaction to setbacks at the company is a continuing legacy of May 1990, when Philips unveiled sharply lower first-quarter results without any warning. This touched off a severe crisis of confidence in Philips' management, culminating in the early retirement of the then president and the early appointment of Mr Timmer.

But unlike the situation in 1990, when many people doubted whether the overmaned, excessively bureaucratic Philips group would be able to survive at all, the company has proven its ability to plug gaping holes in



Jan Timmer: may need to take bold action

its profit and loss account. Under Mr Timmer, Philips acted quickly to cut 40,000 jobs from a workforce of 240,000 and slim down its computer and semi-conductor divisions.

These moves have partly paid off, as is demonstrated by Philips' steady return to profit since record losses in 1990. But

successes are now becoming quickly overshadowed by stubborn setbacks in consumer electronics, the group's single biggest business.

Even before yesterday's news, Philips had said that its senior managers in consumer electronics were working on a package of measures aimed at reviving the profitability of selling compact disc players, colour television sets and video cassette recorders (VCR) in a recession-hit market.

So far this year, Philips has moved to bolster its marketing of consumer electronics in Europe by centralising the division's marketing, sales and service organisations. It has also announced that its entire VCR business will be merged into a joint venture with that of Grundig, the German consumer electronics maker owned by Philips, in an attempt to strengthen competitiveness in one of the most hard-fought segments of the market.

But if consumer electronics remains in the doldrums, Mr Timmer will need to take bold action if he is to restore the confidence which yesterday's profit pronouncement has so quickly swept away.

Lex, Page 18

Skis Rossignol registers FFr54m loss

By William Dawkins in Paris

THE SKI industry's revival will strengthen this year, according to Skis Rossignol, the leading French producer of skis, tennis rackets and golf clubs.

The group yesterday announced a larger-than-expected loss for last year, but expects to be profitable in the current 12 months, thanks to strong growth in ski equipment sales. The Grenoble-based group also expects to benefit from improved productivity and lower costs.

Net losses in the year to end-March were FFr63.9m (£10.22m), slightly above earlier company forecasts of FFr38m to FFr40m. But this was less than half the previous year's loss of FFr140.2m, due to recession and shortage of snow in the Alps. Since then, weather, if not economic conditions, have improved. Skis Rossignol's turnover rose by 6.1 per cent to FFr1.45bn last year.

Swedish property group advances to SKr249m

By Robert Taylor in Stockholm

NCC, one of Sweden's leading property and construction groups, improved its profits (after financial items) for the first four months to SKr249m (£44m) from SKr158m for the same period last year. Consolidated sales fell to SKr7.228bn from SKr7.682bn for the first four months of 1991.

Its construction division profit (after financial items) fell to SKr270m from SKr226m while sales also dropped to SKr5.497bn from SKr5.636bn. But orders were up by 4 per cent to SKr8.1bn from SKr5.8bn.

The SKr10m loss from the international division was less than the one of SKr15m suffered in the first four months of last year. But there was a marked deterioration in NCC's special company business with a loss of SKr40m against SKr3m for the same period of 1991.

However, the group's prop-

erty activities showed signs of improvement. From a loss of SKr48m for the January-April period of last year it recorded a profit of SKr32m for the same months of 1992 with a SKr14m gain from property sales, while sales rose to SKr408m from SKr307m for the first four months of last year.

■ Mats-Seda, Finland's third-largest forestry group, reported yesterday a FM2m (£476m) loss for the first four months compared with a FM53m deficit for the same period of 1991.

Mr Timo Puumala, the company's president and chief executive, said he expected "greatly improved financial result" over last year's FM117m loss, although a small loss was likely.

Net sales climbed by 6 per cent in the first four months to FM2.637bn from FM2.458bn and the operating profit rose by 78.2 per cent to FM228m from FM120m. However, there was a loss per share of FM0.35, compared with a loss per share of FM13.36 last year.

Provisions warning from Groupe Suez

NEWS IN BRIEF

GROUPES SUEZ, one of France's largest industrial and financial groups, yesterday warned it would be hit by heavy property provisions this year, writes Alice Kewthorn in Paris.

Mr Gérard Worms, chairman, told the annual meeting it planned to buy out minority shareholders in the group's Compagnie Industrielle subsidiary.

He said the economic environment remained "unstable" and that Suez was having trouble in the property and small business sectors. Its shares slipped FFr11.80 to FFr302.20 on the announcement.

Mr Worms did not specify the likely level of Suez' provisions for 1992. However Mr Patrick Ponsolle, managing direc-

tor, said there was "a risk" that Suez would be forced to make a similar level of property provisions as in 1991, when the total was more than FFr1.2bn (£227m).

Meanwhile, Suez is continuing the strategy of tidying up its investment portfolio by buying out the minority investors that hold 3.8 per cent of Industrielle's shares. It is offering 11 shares in Victoire, an insurance company that it controls, for two Industrielle shares.

Suez controls Industrielle with a 50.1 per cent holding. Union des Assurances de Paris (UAP), its dual shareholder, has 46.1 per cent. UAP, which has been locked in negotiations with Suez to swap some of its Victoire shares for part of Colonia, a German insurer controlled by Victoire, has agreed to the proposed buy-out.

■ Deutsche Aerospace (DASA), the aerospace unit of Daimler-Benz, and Alenia, the Italian aerospace group, have formed a joint venture, Eurocolumbus Raumfahrtgesellschaft, to prepare for the European space laboratory, Columbus, Reuter reports from Berlin.

Mr Juergen Schrempf, DASA management board chairman, said the venture would create the industrial conditions for the space station. He called on politicians to carry through the \$5.3bn Columbus project.

Eurocolumbus will be based in Bremen and have a branch in Torino, Italy. DASA's orbital infrastructure division, ERNO Raumfahrttechnik, will own 60 per cent of Eurocolumbus. Alenia's stake will be owned through its Alenia Spazio unit.

France's Matra Matconi Space, a unit of defence and

transport group, Matra, is expected to join the venture later. The venture will initially have 150 employees, who will be transferred from the parent companies.

■ Swissair is to implement further cost-cutting measures, including the elimination of 400 administrative jobs. Mr Otto Loeple, president, said the move followed "worldwide fare north Atlantic, AP-DJ reports from Zurich."

Mr Loeple reportedly told employees: "We are going to have to face up to some lean times ahead. And it is the ones in the best shape that are going to come through."

Mentioning its existing cost-savings programme, dubbed "Move", the airline said it was taking "additional steps to enhance its competitive edge". The Move programme measures "are to be further developed and implemented at an accelerated pace".

GOTA BANK

SEK 13,500,000,000

Five-year loan portfolio financial insurance

The undersigned initiated, structured, and acted as financial advisor to Gota Bank in this transaction

JPMorgan

There is a limited amount of exhibition space available at the conference

FT

FINANCIAL TIMES CONFERENCES

NORTH SEA OIL & GAS

- New Investment Challenges

6 & 7 July 1992, London

This topical conference will review North Sea activity, examine the current investment challenges facing companies operating in the North Sea and assess the outlook for the equipment and service supply industry. Speakers taking part include:

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Mr Sam Laidlaw
Managing Director
Amerasia Hess Limited

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Ms Judith Z Steinberg
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The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry

Mr Johan N Vold
Executive Vice President
StatOil Group

Mr Chris Greentree
Chief Executive
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Mr Ron Probert
Managing Director, Gas Supply & Strategy
British Gas plc

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FT FINANCIAL TIMES CONFERENCES

INTERNATIONAL COMPANIES AND FINANCE

IBM to market components to rivals

By Louise Kelso and
Michio Makino

INTERNATIONAL Business Machines is for the first time actively seeking to sell its semiconductor technology products to outside customers. As part of the new marketing strategy, it has set an ambitious target of achieving annual chip sales of \$500m over the next three years.

IBM, the world's largest chip-maker, has until recently consumed internally all of the output of its large chip plants. Previous sales to third parties have been modest, occurring mostly in response to specific requests from customers.

The new semiconductor marketing strategy represents a marked departure from past practice. It is the latest example of an effort by IBM to raise \$50m in annual revenues from sales to original equipment manufacturers by next year.

IBM's entry into the semiconductor market potentially creates a powerful new competitor for other chip-makers. However, IBM is not expected to compete in the market for standard commodity chips. Instead, it will focus on "high value-added products" in which it has a technological advantage.

Such products include IBM's thermal conduction modules, a core packaging technology used in its mainframe computers. "Everything made by the technology products division,

of which the semiconductor operations are a part, is on the table," said IBM.

The company is confident that selling a key component of its position in the mainframe market. "Customers don't buy IBM's mainframes only because of this technology," it said. Other factors, such as software, product quality and pricing were distinguishing factors, the company said.

Excess capacity in semiconductor is one reason for the decision to sell to third parties. Technological improvements alone have brought annual production gains of 20 per cent to 30 per cent, the company said.

"We have reached a point where IBM's internal consumption cannot consume all its output."

IBM's entry into the semiconductor market adds a new twist to the ongoing trade battle between the US and Japan in the computer chip field. Currently, IBM's sales in Japan are excluded from the US government's preferred method of calculating the foreign share of the Japanese market. The US has argued that IBM is a special case because it does not sell to outside customers.

If IBM were included in calculating foreign semiconductor sales in Japan, the figure could increase by close to 2 percentage points, bringing it to about 16.5 per cent, much closer to the 20 per cent target at the centre of the tense trade row.

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Bramalea seeks debt restructuring

By Bernard Simin, in Toronto

BRAMALEA, the embattled North American real estate developer, has suspended dividends and asked its banks to restructure its C\$4.8bn (US\$4.03bn) debt. It also warned that it might write down the value of its land holdings and other assets.

The company, part of the resources and financial services empire controlled by the Toronto branch of the Brum family, has financial problems which are at least as severe as those of Olympia & York, the property developer which sought protection from its creditors last month.

Bramalea has been given a more sympathetic hearing by creditors than Olympia & York because of a perceived willingness to share more information with outsiders, as well as Bramalea's sustained efforts to raise cash through asset sales.

Bramalea yesterday reported a net loss of C\$18.5m, or 22 cents a share, for the six months to April 30, against C\$3.8m profit, or 2 cents, a year earlier. Operations drained C\$6.9m from cash-flow, against a positive contribution of C\$29.4m last year. Interest payments totalled C\$106.3m.

Its shares climbed 13 cents on the Toronto Stock Exchange yesterday morning to C\$1.18, but they remain far below their 1989 peak of C\$28.75.

The biggest millstone around Bramalea's neck is the under-occupied land in California and southern Ontario which it bought during the last boom.

Mr Marvin Marshall, chief executive, said the asset disposal programme begun last year was taking place "at a slower pace than originally anticipated". The company has so far raised C\$358m and expects to generate C\$20m by 1997 to reduce its debt.

He added that a new business plan was being prepared. It will include new lines of credit to meet working capital requirements and the extension of maturity dates on existing debt. The main lenders are understood to be Canadian, US and Japanese banks.

In contrast with family-owned O.Y., Bramalea has been able to call on its controlling shareholder for support. Trizec, the Calgary-based developer with a 57 per cent stake in Bramalea, recently took up the lion's share of a rights issue, boosting Bramalea's equity base to C\$336m on April 30 from C\$284m last October. Trizec and Bramalea's combined debt of C\$14bn exceeds O.Y.'s total debt.

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AMR expects second-quarter loss

By Martin Dickson
in New York

AMR, the parent company of American Airlines, yesterday announced that it expects a second-quarter loss.

American blamed the red ink on fare price-cutting and a significant increase in fuel costs.

American has traditionally led pricing in the industry and sparked off the current war last April when it announced a new, simpler domestic fare structure, which sharply cut the price of its most expensive tickets. The airline said at the

time that the initiative was likely to take as much as \$100m off first-quarter revenue but could eventually raise revenue by as much as \$350m annually.

However, the new fare structure for business passengers was quickly undercut by rivals desperate for customers, while in late May the industry temporarily slashed tourist fares in an effort to drum up summer business.

Northwest Airlines led that round, but American then seized the initiative with even deeper cuts.

Northwest announced this week it would raise domestic fares 10 per cent from June 26

in what was seen by the industry as an attempt to regain lost revenue and encourage its rivals to push up fares as well.

However, none of the big three US carriers - American, United and Delta - made any immediate move to follow Northwest's lead.

AMR reported net income of \$80m, or 28 cents a share, in the first quarter of this year, on revenues of \$3.51bn. In the second quarter of last year it made \$10.3m, or 15 cents a share, on revenues of \$3.19bn.

The company's shares dipped in morning trading on the New York Stock Exchange, to stand at \$63.4, down 5 1/2 at lunchtime.

Digital reorganises European operations

By Alan Cane

DIGITAL Equipment, the world's third-largest information technology group after IBM and Fujitsu, is reorganising its European operations in a bid to restore flagging sales and profitability. The changes, which will create a single organisation for Europe, take effect from July 1.

The reorganisation, pioneered by Digital's UK subsidiary over a year ago, removes the company's geographically divided management structure in favour of one focused on industrial sectors.

The company has created five industrial sectors across Europe, including financial services, manufacturing and telecommunications. Within each sector entrepreneurial units have been formed to concentrate on individual industries and companies.

Mr Geoffrey Shingles, chairman of Digital's UK subsidiary, said: "For the first time we can look at our business industry by industry and compare it with our competitors."

The reorganisation removes one layer of management, reducing the managerial structure to three levels. Managers in individual countries will remain, but they will be responsible principally for providing services and resources to the industrial units. These include human resources, legal, financial and communications activities.

Digital is the world's largest manufacturer of minicomputers for commercial and technical customers, but it has been severely hit by moves to networks of personal computers and workstations which provide equivalent power to minicomputers at a lower cost.

It reported a third-quarter loss of \$294m on operating revenues of \$3.35bn, and has been cutting staff for over two years in attempts to restore profitability.

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Ford boosts stake in Japan distributor

FORD Motor of the US and Mazda of Japan have reached a preliminary agreement to become equal partners in Autorma, the company that distributes Ford products in Japan, Renter reports from Detroit.

Under the agreement, Ford will boost its stake in Autorma to 36.5 per cent from 34 per cent, while Mazda will cut its stake to 33.5 per cent from 35 per cent. The remaining 27 per cent will continue to be owned by individual investors.

The agreement is expected to be finalised by July 1. Autorma was created in 1982 as a sales channel for Mazda-produced Ford models in Japan. Imported Ford models were added to the Autorma product line in 1988.

Mazda and Ford acquired their equity interests in the company in 1989. In 1991, Autorma sold more than 75,000 Ford vehicles.

Ford declined to specify how much it would pay to build up its stake.

The US group said that the deal was not related to the company's previously announced plan to purchase a 50 per cent stake in a Mazda assembly plant in Michigan.

Honeywell buys Finnish automation businesses

HONEYWELL, the US control systems group, is to buy parts of the automation division of A Ahlstrom Oskakeyhtio, the Finnish diversified engineering company, Renter reports from Helsinki.

Ahlstrom said the units, which are part of Ahlstrom Automation, had a total turnover of around FM400m (\$93.4m). No other financial details were given.

Assets related to automation and process control for the pulp and paper, energy, graphics, food, chemical and steel industries are included in the deal.

The eight units that Honeywell will take over are based in Germany, Finland, Sweden, the UK, France, Austria and the US.

Under the deal, Honeywell will also become the owner of the Lippke Quality Control system, an application for quality control in paper production.

"By acquiring these businesses and assets, Honeywell gains greater capability in core markets," said Mr D. Larry Moore, executive vice-president and chief operating officer of Honeywell's Industrial and Space and Aviation businesses.

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Air Canada in aircraft sale

AIR CANADA has put its five DC-8 cargo aircraft up for sale as part of efforts to rationalise its cargo operations, writes Robert Gibbons in Montreal.

Air Canada has failed to make its key domestic cargo operations profitable, partly because of the long recession. The airline saw overall cargo revenues slip to C\$354m (US\$287m) in 1991 from C\$413m in the previous year.

Air Canada said it was selling the DC-8s to reduce debt and bring unit costs in line with other carriers. The five aircraft, which were used in Canada, are expected to fetch between US\$125m and US\$130m and should find a receptive market.

Total cargo capacity will not change greatly after the sale because Air Canada this spring brought into service three new 747-400 combination passenger-cargo aircraft on its international routes.

Air Canada also plans to sell its credit card operation for about C\$80m.

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NEW ISSUE

All of these securities having been sold, this announcement appears as a matter of record only.

June 18, 1992

14,000,000 Shares

Browning-Ferris Industries, Inc. **BF**

Common Stock

These securities were offered internationally and in the United States.

International Offering
2,400,000 Shares

Credit Suisse First Boston Limited

Goldman Sachs International Limited

Lehman Brothers International

Smith Barney, Harris Upham & Co.
Incorporated

ABN AMRO Bank N.V.

Cazenove & Co.

Commerzbank Aktiengesellschaft

County NatWest Securities Limited

Credit Lyonnais Securities

Deutsche Bank
Aktiengesellschaft

Nomura International

Financial Times Annual Report Service

On 23 / 24 / 25 / 26 June, the Financial Times will publish its Annual Report Service.

Over the 4 days the annual reports of 80 leading companies will be promoted in the feature. As a free service, FT readers will be invited to request copies.

Don't forget to order your daily copy of the Financial Times to take advantage of this service.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

£200,000,000
MFC Finance No.1 PLC
Mortgage Backed Floating Rate Notes Due October 2023
In accordance with the Terms and Conditions of the Notes, notice is hereby given that the interest rates and periods in respect of the subject Notes are as follows:

Payment Date	Rate	Payment Date	Rate
1st Jan 1993	10.25%	1st Jan 1993	10.25%
1st Apr 1993	10.25%	1st Apr 1993	10.25%
1st Jul 1993	10.25%	1st Jul 1993	10.25%
1st Oct 1993	10.25%	1st Oct 1993	10.25%

By: Citibank, N.A. (Issuer Services)
June 18, 1992

CITIBANK

**Notice to the Holders of
EUROPEAN INVESTMENT
BANK**
Italian Lira 200 Billion
Floating Rate Notes
Due 1995

Compt. No. 10 due from June 11, 1992
to December 11, 1992 will be payable
starting December 11, 1992 at the rate
of 13.50%

TEL: 06-5231-2000 per TEL: 06-5231-2000
TEL: 06-5231-2000 per TEL: 06-5231-2000
June 16, 1992

SAN PAOLO-LARIANO BANK S.p.A.
Lombardy
Agent Bank

SCITECH S.A.
1, avenue Marie-Thérèse
L-2133 LUXEMBOURG
R.C. Luxembourg B 24.800

We have the pleasure of inviting the
shareholders to attend the Annual General
Meeting of the Shareholders, to be held at the
headquarters of the Company, on June 26, 1992 at 3.00 pm.

Agenda:
1. Declaration of the results of the Board of
Directors and of the Auditors
2. Approval of the Statement of Assets and
Liabilities as at March 31, 1992 and of the
Statement of Operations for the year ended
March 31, 1992
3. Allocation of the net profit
4. Discharge to the Directors
5. Discharge to the Auditors and of the
Auditors
6. Miscellaneous

The shareholders are advised that no quorum
for the issue of the dividend is required, and
that the dividend will be paid at a date to be
determined by the Board of Directors and by
the Auditors. A shareholder may not be
present.

THE BOARD OF DIRECTORS

International Companies and Finance

By Haig Simonian in Rome

OLIVETTI, the Italian computers and office equipment group, suffered a 4 per cent drop in sales in the first four months of this year. It may need further restructuring before returning to profitability.

The warning, made by Mr Carlo De Benedetti, chairman, came in the middle of a week-long conference aimed at restoring confidence in the loss-making company.

Olivetti last month announced a L459.8bn (\$687m) loss for 1991, largely due to restructuring costs, and passed

its dividend. Although Mr De Benedetti declined to give details on sales or earnings ahead of next week's annual meeting, he expressed confidence that Olivetti would meet its target of breaking even this year.

In spite of the fall in sales, Olivetti's volumes had increased in the first four months of 1992. The difference was explained by the continuing slide in prices for many information technology products. Prices for a "basket" of Olivetti goods had dropped by 15 per cent in the year to April 1992. However, within that basket, prices for personal computers, which account for around 30

per cent of Olivetti's turnover, had plunged by over 45 per cent, while other goods had remained firm.

Mr De Benedetti said there were mixed signals in the market. While demand was still constrained by recession in many countries, the process of "downsizing" - the transition to cheaper and ever more powerful computers - had reached a turning point, he said. "I see the possibility of a quite important recovery by the beginning of 1993," he said.

The question of further job cuts at Olivetti, which has slimmed its workforce by around 25 per cent

in the past two years, "depends on the quantity of work". With sales still shrinking, further savings might be necessary, he implied. "We will adjust our workforce to the success we have on the market."

Mr De Benedetti gave no indication as to whether Olivetti might move more of its manufacturing abroad, especially for low-cost products. However, he drew attention to the impending North American Free Trade Agreement, and the impact this could have on companies, such as Olivetti, which are already well established in Mexico, where labour costs are low.

Chairman of French chemicals group stays

By William Dawkins in Paris

MR JEAN-RENE FOURTAN was yesterday reconfirmed as chairman of Rhône-Poulenc, the French state-owned chemicals group, for a third three-year term.

The reappointment of Mr Fournat, 52, a former management consultant, was expected. The government was pleased with his record of building up a profitable health care business to counterbalance the group's traditional dependence on basic chemicals. This strategy partly explains why Rhône-Poulenc was able to lift profits by 37.5 per cent in 1991, a good performance during a tough year for the industry.

Mr Fournat is among the 45 chairmen of state-owned companies whose mandates come up for government review in the next month or two.

The government last month appointed Mr Louis Schweitzer as chairman of Renault, groomed for the job by his predecessor, Mr Raymond Lévy.

Mr Bernard Attali, chairman of Air France, yesterday looked certain to keep his job for a second term after being nominated by the government representative on his board.

Former Foster's chief appointed to Coles Myer

By Bruce Jacques in Sydney

MR PETER BARTLES, former Foster's Brewing Group chief executive, has been appointed chief executive officer of Coles Myer, Australia's biggest retailer.

The appointment confirms speculation fuelled by Mr Bartles' resignation from Foster's in March, reportedly after strong disagreements with the company's then key shareholder, Mr John Millett.

Mr Bartles will take up his new appointment on July 27, replacing Mr Brian Quinn, the current Coles chief.

Japanese drug-makers slow off the mark

Pharmaceutical groups are under pressure to expand and innovate, writes Emiko Terazono

A RUSH to invest overseas by Japanese pharmaceutical companies in the late 1980s appeared to signal their entrance on to the world stage. However, it has since become clear that Japanese pharmaceutical groups are far from becoming the Toyota or Matsushita of the global drugs market.

Despite strong efforts by some Japanese groups, the country's pharmaceutical industry has been unable to develop the world-beating innovative products needed to break into overseas markets.

Yamanouchi Pharmaceutical, with annual sales of ¥228bn (\$1.5bn) and one of the drugs companies to expand most aggressively internationally, hopes to be a truly global company within the next 10 years.

Fujisawa Pharmaceutical, Japan's third-largest with sales of ¥227bn, says: "It's essential for Japanese companies to globalise since domestic market conditions are going to be increasingly difficult."

However, western managers have doubts. Mr Thomas Hofstätter, executive managing director of Hoechst Japan, says most Japanese drugs companies are going to take time to grow into leading global operations unless a real breakthrough product is discovered.

In the 1980s, most Japanese drugs companies started their overseas expansion with simple licensing agreements and established clinical trial offices. The more ambitious, however, set up joint ventures or acquired distributors

in the US and Europe. Fujisawa acquired Lymphomed, a small drugs company in the US, and Yamanouchi built a manufacturing plant in Ireland, a research centre in Oxford and, last year, acquired the pharmaceutical division of Gist-Brocades, a

Compared with the multi-billion dollar mergers and acquisitions of US and European companies, the Japanese operations and acquisitions have been modest

Dutch chemical company. Japanese drug-makers are now trying to build comprehensive independent operations in research and development, production, and marketing. Fujisawa is increasing production and marketing capacity in the US and Europe ahead of the launch of FK-506, an immune system suppressor used to prevent transplant patients rejecting their new organs.

However, compared with the multi-billion dollar mergers and acquisitions of US and European companies, the Japanese operations and acquisitions have been modest in size. Total overseas sales by Japanese pharmaceutical companies remain around 5 per cent of their turnover, compared with 30 to 50 per cent of lead-

ing US companies and 70 to 90 per cent of leading European companies.

The main barrier for the Japanese companies has been their lack of marketable products, as most have lagged in the development of important new drugs. This was due to their reliance on small-step innovations of existing drugs, mainly lower-value antibiotics and vitamins.

Mr Muneyuki Sakai, pharmaceutical analyst at County NatWest in Tokyo, says an overseas subsidiary needs at least four or five original mainline products.

Exceptions to this pattern include Sanofi, with its anti-cholesterol product Mevalotin. The drug has annual exports to its licensees of ¥13.2bn. Yamanouchi is known for its anti-ulcer agent Gaster, which had ¥90bn overseas sales last year.

Japanese drug companies have traditionally been complacent about R&D because of the government's pricing policy on drugs. The Health Ministry used to award all new drugs premium prices, whether they were improvements or not, and failed to give drug companies an incentive to develop innovative drugs.

Rather than take the risk of spending high sums on product development, many of the larger companies chose to only make small improvements of existing drugs, and distribute drugs supplied by foreign companies under licence for the Japanese market only.

Development programmes

have also been hurt by cumulative price cuts by the Health Ministry, which started in 1981. It forced 10 to 15 per cent price reductions every two years. This pressured cash-flow at the Japanese drug companies, which are considerably smaller than

Rather than take the risk of spending high sums on product development, many of the larger companies chose to make only small improvements of existing drugs

their western counterparts.

However, attitudes towards R&D are changing rapidly as innovation has become the key to profits.

The ministry is pushing for innovative drugs through a change in its pricing rules. From this fiscal year, the only drugs to be allowed premium prices will be those which represent a new concept, are more effective than existing drugs, and which make a noticeable contribution to treatment.

At the same time, foreign drug companies have started to end distribution tie-ups as they establish their own networks in Japan, reducing commissions at the former Japanese partners.

Ultimately, companies will need to establish a worldwide presence in order to recoup

mounting R&D costs. Fujisawa needs to globalise because its market share in Japan has hit a ceiling and profits have reached their upward limit. Companies which do not succeed internationally will see a pressure on profits.

In the long run, Japanese companies are expected to become more innovative. However, for companies whose development policies are aimed at marginal improvements, changing direction will not be easy. Mr John Wilson, analyst at James Capel, says: "Companies are under pressure, with sales of the industry growing at 5 per cent and costs of R&D increasing by 10 per cent."

Since a typical drug takes 10 years and ¥10bn to develop, only those companies large enough to absorb the costs will be able to survive. Mr Sakai at County NatWest believes that about 10 companies, led by Sanofi, Fujisawa, and Yamanouchi, will be able to establish a position in the international pharmaceutical market.

In the near future, companies predict a wave of mergers and acquisitions, especially rescues of smaller companies lacking new products. Takeda, the industry leader, says: "There are a lot of negotiations going on behind the scenes."

Mergers and acquisitions by foreign companies, in line with Merck and Banyu in 1983, and more recently Hoechst Ingelheim and Yamanouchi Seiyaku in 1990, are also expected to increase, as Japanese companies are now cheaper following the slump in Japanese share prices.

NEW ISSUE

This announcement appears as a matter of record only.

JUNE, 1992



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Tokyo, Japan

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CONTRACTS & TENDERS



Italian National Agency for New Technology,
Energy and the Environment

ENQUIRY TO TENDER FOR THE CHARTER OF POLAR VESSELS

The VIII Campaign of the Italian National Antarctic Research Programme 1991-1996 of the Ministry of the University and of Scientific and Technological Research, authorised by Italian law 380/91, is planned to take place during the period October 1992 - April 1993. For this period ENEA is interested in receiving technical-financial tenders for the charter of the following vessels, including relative rigging and management:

- A) a cargo vessel with a capacity superior to 6000 cub.m.
- B) an oceanographic research vessel without cargo capacity in hold
- C) an oceanographic research vessel with possibility of cargo in hold of at least 1000 cub.m.

All vessels must belong to Ice Class 1A Super according to RINA Rules or an equivalent class. ENEA will reserve the right to proceed to the charter of one or a combination of the above vessels when the definition of the afore-mentioned Programme has been concluded and, in particular, to decide with a view of the technical-scientific projects of the expedition and the financial conditions of the tenders. For vessels A) and B) ENEA is enquiring to tender for the 1992-1993 Campaign only.

With respect to vessel C) ENEA is interested in receiving tenders for the 1992-1993 campaign, as well as for the subsequent campaigns, always limited to the six-month Antarctic summer season. Tenders for a long-term charter, starting from the 1993-1994 campaign or the following one, will also be appreciated. In this latter case vessels newly built according to ENEA specifications or of recent construction to be adapted accordingly, will be taken into consideration.

Those companies having one or more of the vessels with the above general characteristics are invited to contact ENEA for the submission of a technical-financial tender based on ENEA functional specifications.

With your request for participation kindly submit the following documentation:

- specification of the general characteristics of the vessel(s) offered;
- declaration of the experiences acquired in navigation on polar seas.

Enquiries should be sent to the following address not later than 23rd June 1992:

ENEA - Committee for the selection of firms to tender for polar vessels
c/o Ing. F. Saverio BIFANO
V.le Regina Margherita 125
00198 ROME (FAX 06-8528-2591)

The request for participation will not bind ENEA in any respect.



President of the Committee
Ing. F. Saverio Bifano

LEGAL NOTICE

**INSOLVENCY ACT 1986
NOTICE TO CREDITORS**
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NOTICE IS HEREBY GIVEN that the creditors of the above named company are required to submit claims to the Liquidator of the company, who is acting as the Liquidator of the company, by the date specified in the notice, and that the Liquidator will not be bound by any claim submitted after that date.

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COMPANY NOTICES

BANK LEUMI (UK) Plc
US \$20,000,000 UNLISTED PRIMARY
CAPITAL FLOATING RATE NOTES
The interest rate applicable to the above Notes in respect of the interest period commencing 15th June 1992 has been fixed at 5 1/2% per annum.
The interest amounting to US \$25.42 per US \$1,000 principal amount of the Notes will be paid on 15th December 1992, against presentation of Coupon No. 14.
BANK LEUMI (UK) Plc
Principal Paying Agent
bank leumi (uk) plc

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Interest rate on more foreign debt fixed by Mexico

By Damian Fraser
in Mexico City

THE MEXICAN government, anxious to protect its economy from the impact of rising US interest rates, has fixed the interest rate for at least two years on a significant part of its floating-rate foreign debt by using the international markets in options and swaps.

Mr Pedro Aspe, the Mexican finance minister, said the government had also hedged against possible falls in oil prices in the derivatives markets.

He said the use of these markets would protect Mexico from unpredictable external shocks and enable the government to meet budget forecasts. The Finance Ministry said the government had locked into an oil price this year of \$14 a barrel, and an interest rate of 6.25 per cent on the floating rate part of the external debt covered by the Brady deal for this and next year.

As part of the Brady deal with international banks, Mexico fixed in 1990 an interest rate, also of 6.25 per cent, on \$28.5bn of its foreign debt. It also issued about \$12.8bn of floating-rate bonds in exchange for bank debt.

The government first announced that it had hedged against oil price falls last year, although it did not then disclose plans to extend the programme.

It said the volumes of its purchases "were very significant in relation to the size of falls this year".

As part of its continued debt restructuring, the Finance Ministry has also retired \$7.2bn of its external debt at a reported discount of 23 per cent, through swaps and the purchases of debt in the secondary market.

While the debt was officially retired on June 1, the government has been buying back debt over a period of months and placing it in a special account.

The government thereby saved around \$400m a year in interest payments and reduced its external debt by 8.9 per cent to \$73.8bn. The ratio of Mexico's total debt to GDP has now fallen to 28 per cent.

The government in part bought back the debt with funds raised from short-term Euro-commercial paper. At the end of May it used the \$1.4bn raised from the sale of shares in Telmex, the telephone monopoly, to repay short-term debt.

Resellers tap Canada's telephones

Bernard Simon examines the implications of a landmark ruling

IN THE two years since Canada opened its doors to discounted telephone services, a host of aggressive companies, known as resellers, have carved several hundred million dollars out of the established phone utilities' annual revenues.

The resellers, who lease phone lines at bulk discounts from the phone companies and then resell them to smaller users, now account for about 4 to 5 per cent of all telephone calls in Canada.

Their early success could look modest, however, compared with what lies in store following a landmark ruling by the Canadian Radio-television and Telecommunications Commission (CRTC).

The CRTC has cleared the way for resellers to expand the geographical territory they serve and to gain access to the phone companies' own discounted services. It is also encouraging resellers to build their own networks, a move which would give them more control over their costs and further spur competition with the phone companies.

"The pro-competition approach was more than anyone expected," says Mr Tom Davies, president of ACC Long Distance of Toronto, one of the 20 to 30 resellers which have

set up business in the past two years.

The telephone companies, on the other hand, are furious at the CRTC's ruling, which also opened up the long-distance market to competition for the first time.

Mr Jean Monty, Bell Canada's chairman, is appealing against the decision on the grounds that new competitors will make a much smaller proportional contribution than Bell towards subsidising cheap local rates from long-distance revenues, and towards the cost of connecting new entrants' equipment to the phone companies' networks.

Most of the resellers in the market are expected to gear up for expansion in the wake of the CRTC ruling.

Until now, their marketing efforts have centred on mid-sized businesses in Ontario, Quebec and British Columbia, and they have been able to offer services only between a limited number of cities.

They are now talking about extending services to smaller businesses and moving into the other seven provinces. Call-Net Communications, the biggest reseller, also has plans for a out-price service to households.

An array of new products, such as phone credit cards and private lines, is likely to

appear. Most important, the CRTC ruling should enable the resellers, especially the most efficient ones, to widen their margins.

Nonetheless, some consumers targeted by resellers in the US will probably be out of reach for some time in Canada.

The Canadian market will continue to be more tightly regulated than the US. As a result, the fee charged by Canadian telephone companies for access to their networks is likely to be considerably higher than the 3 to 3.5 US cents per call average south of the border.

The resellers' own ranks are expected to thin as competition intensifies. Mr Douglas Cunningham, analyst at BBN James Capel in Toronto, forecasts that no more than four or five companies will dominate the market. "Small resellers will probably not survive," Mr Cunningham predicts.

The survivors will certainly include some of the British and US-owned companies which already dominate the resale business.

Call-Net, in which Rochester Telephone of Rochester, New York, has a stake of almost 20 per cent, says its revenues (including those of a sister

company, Lightel) will reach C\$100m (\$83.3m) this year from about 6,000 medium and small businesses.

The Canadian subsidiary of the UK's Cable & Wireless has 5,000 network customers and expects its resale revenues to top C\$30m this year. Montreal-based Fonorola, whose biggest shareholder is J Rothschild Holdings, will submit expansion plans to its board next week. The company, whose sales are also around C\$50m a year, expects to launch some new services - it declines to be precise - by next January.

The CRTC decision is especially welcome to the foreign-controlled companies because it flies in the face of legislation before parliament which would reserve a stake of at least 80 per cent in any common carrier for Canadian shareholders.

The resellers are optimistic that the CRTC's ruling, plus their own plans for investment and new jobs, will persuade the government to water down the proposed new Telecommunications Act.

For example, ACC Long-Distance, which is also controlled by a US company, has expanded its workforce in Canada from five to 52 in the past 18 months.

Moody's predicts growth in German debt

By Sara Webb

THE NEED to raise funds for the development of eastern Germany is expected to lead to further growth in the German bond market, according to a report by Moody's, the US credit rating agency.

However, this substantial public demand for financial funds may leave little room for an increase in domestic corporate bond issuance, adds the report.

Moody's says public sector bonds currently account for 74 per cent of total domestic outstanding issues, and the proportion is likely to increase further as state budgets come under pressure over the next few years.

As a result, there may be

less scope for domestic corporate borrowers - many of whom have been encouraged by the recent lifting of regulations - to raise funds in the German market.

Outstanding issues of D-Mark bonds amounted to about DM1,290bn at the end of 1991, with the domestic sector accounting for 87 per cent of the total outstanding amount, and making Germany the third largest bond market after the US and Japan.

The US rating agency warns that factors such as regulation and the competitiveness of the other European bond markets could threaten the development of the D-Mark Eurobond market. In particular, Moody's points to possible changes in the taxation of interest income

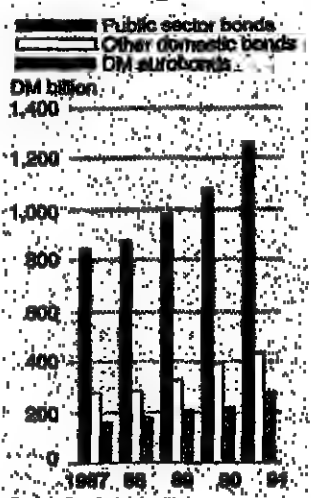
in Germany, and the recent emergence of the Ecu bond market.

The Ecu bond market has recently taken a battering following Denmark's rejection of the Maastricht Treaty, and is not expected to see much new issuance in the immediate future.

However, Moody's report says the Ecu market "could attract supranational and high-grade sovereign and corporate borrowers, some of which might reduce their DM Eurobond issuance levels. This could result in a lower average credit quality of outstanding DM Eurobonds."

*Moody's Special Report - The DM Bond Market: Structure, Credit Risk Profile and Perspectives.

Outstanding DM bonds



Hafnia increases share issue

By Hilary Barnes
in Copenhagen

HAFNIA Holding, the troubled Danish insurance group, has increased its share issue from DKR1.5bn to DKR2bn (\$331m). This issue is being underwritten by Danish institutional shareholders and Paribas, the French bank.

Hafnia's urgent need of capital was underlined by events in the stock market yesterday. It suffered heavy unrealised losses when shares in Hafnia Holding, its big domestic rival, fell by DKR77 to DKR460, wiping some DKR300m off the value of Hafnia's 38.6

per cent stake in Hafnia.

In a statement to the stock exchange, Hafnia said its equity capital at June 18 had been reduced to DKR400m by the fall in the value of strategic holdings in Baltes and Skandia, the Swedish insurer.

Hafnia said, however, that it believed it would be able to sell its strategic holdings in Baltes and Skandia at a price above the current market prices.

Hafnia's present troubles began when its finances became seriously over-extended after trying (together with Norway's UNI Storebrand) to acquire control of Skandia last winter.

CONSORZIO AUTONOMO DEL PORTO DI GENOVA
PORT AUTHORITY OF GENOA

An invitation to bid for the purchase of 80% of the parcel of shares of the company Terminal Contenitori Porto di Genova Spa.

In the Supplement of the Official Journal of the European Communities no. 108 of 4 June 1992, an advertisement is published in which the Port Authority of Genoa (henceforth referred to as CAP), based in Genoa, via della Mercanzia 2, invites bids for the purchase of shares which constitute 80% (eighty per cent) of the stock capital of the company "Terminal Contenitori Porto di Genova s.p.a.", based in Genoa, Molo Nino Ronco, registered with the Court of Genoa under no. 45636, vol. 427, issue 64161.

This invitation is addressed to companies or other collective Agencies. Intermediaries and fiduciaries are excluded, as well as partnerships and individuals. Interested parties are informed that a dossier is available at the offices of CAP, Gestione Speciale Terminal Contenitori, containing information and data on the company in question.

The companies interested in acquiring the dossier will have to request it in writing from CAP by registered mail; the request must be delivered by and not later than 30 days from the date of publication of the aforesaid advertisement in the Official Journal of the European Communities, together with a copy of the memorandum of association, the articles of association, a list of the contributors to the stock capital with respective quotas, a list of the members of the company's bodies, and balance-sheets of the last three financial years.

Requests without even one of the aforesaid documents will not be taken into consideration. CAP reserves the right to send or not the dossier.

The companies, which will have acquired the aforesaid dossier, must, within a time limit which will be set forth by CAP, send to CAP in a sealed envelope with the wording "Bid for Terminal Contenitori Porto di Genova s.p.a.", an irrevocable, unconditional and firm offer of purchase, with a minimum validity of 60 days from the deadline of the time limit set forth by CAP.

This invitation and the receipt of prospective bids do not constitute any obligation or commitment of sale on the part of CAP towards the prospective bidders and, for the latter, they do not give rise to any claim or to any kind of rights whatsoever against CAP.

The present advertisement is an invitation to offer and it is neither an offer to the public according to art. 1336 of Italian civil code, nor a request to public lenders according to art. 1/18 of Law 7 June 1974, n. 216 and subsequent modifications and integrations.

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In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the interest period 18th June 1992 to 18th December 1992 has been fixed at 4.525% p.a. The coupon amount payable on 18th December 1992 will be US\$ 115.01 per US\$ 5,000 Note.

The Yasuda Trust and Banking Company, Ltd.
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FRENCH FRANKS 500,000,000
FLOATING RATE NOTES
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For the period June 17, 1992 to September 16, 1992 the new rate has been fixed at 10.125% p.a.

Next payment date: September 16, 1992
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LUXEMBOURG

EBRD makes its debut in Australian dollar sector

Italian bonds fluctuate wildly on devaluation fears

onds fluct

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ly on devaluation fears

valuation fears

Pubs group to refinance £250m of bank debt

Bankers said yesterday that the reaction of institutional investors to the proposed deal

secured on its estate to push a yield 135 basis points more than long-dated gilts. However, the issue is far smaller and less

Computerised trading system for Budapest SE

Besides the limit order book, the automation will involve equipping 56 booths for brokers, and two trading posts with price display screens.

Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Gaslec Plc	12
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Premier Cons	2 1/2
Boots	34	GEC	17	P & O Ltd	37	Wellcome	75	Shell	35
Bovis	50	Glaxo	52	Roal Elmt	51				

COMPANY NEWS: UK

Kenwood flotation price set at 285p

By Richard Gourlay

KENWOOD APPLIANCES, the kitchen equipment maker, will go on sale to the public at 285p a share next week, valuing the management buy-out from Thorn EMI at £104.5m.

Half the 23.2m shares for sale were placed yesterday with a range of institutions. The price puts a 15.1 multiple on historical earnings on a pro-forma basis - that is adjusting for what Kenwood would have made in the year to March 1992 had it enjoyed the proceeds of the share sales throughout the year. The notional net dividend yield is 3.5 per cent.

Kenwood will raise about £39.5m after offering for sale a higher-than-expected 63.3 per cent of the enlarged capital.

Thorn-EMI, which sold Kenwood to a management buy-out in 1989, will retain a 3 per cent stake which it cannot sell in 1992 while the MBO team is prevented from selling within the next year.

Candover Investments, the venture capital supplier, will retain an 18 per cent stake.

Mr Timothy Parker, chief



Timothy Parker: Listing offers flexibility for expansion

executive, said Kenwood would continue to grow through introduction of new products but that last year's 40 per cent growth in operating profit would not be repeated.

In addition to repaying all £23.4m of bank debt, the listing would allow Kenwood greater flexibility to expand either through acquisition or capital investment and would reduce the likelihood of constraints on future

the company's prospective earnings on a premium to the market as a whole. Kenwood does, however, have a lot going for it and should continue to attract institutional interest after the placing. Operating profits, despite the recession hitting Philips and others, have grown rapidly through introduction of new products and it has strong non-UK sales, unlike Pico, another kitchen product competitor. But according to brokers James Capel, its strongest asset is the Kenwood brand, a name that was selling food mixers when most of the subscribing public were not even born. Another factor supporting yesterday's pricing is the 18 per cent stake that Candover Investments retains in the company. The venture capital group will be slowly reducing that stake and will have been keen to see an orderly and upward price movement in the after market. While Kenwood is a growth company, it is by no means hi-tech and will not maintain last year's phenomenal growth. But for longer term investors, or those simply attracted by owning a name on their kitchen counters, the pricing is attractive.

product development. Brokers to the offers are Rowe & Pitman while the flotation has been sponsored by Schroders.

COMMENT

It was perhaps unfortunate that Kenwood should price its flotation just as Philips warned that profits would be hit by poor consumer spending. A 285p flotation price is also somewhat expensive, putting

Dixons refinances Belgian offices

By John Thornhill

CODIC, the Belgian property subsidiary of the Dixons electrical retailing group, has refinanced its Brussels office development in Brussels with a group of international banks, valuing the site at £83.3m.

But the transaction will not be reflected in Dixons profit and loss account due to expected changes in accounting standards practices.

The refinancing, via a new company, Espace Beaulieu, guarantees Codic a minimum level of profit and removes the risk of holding the property in an uncertain market. But, following the recommendations of the proposed Statement of Standard Accounting Practice SSAP 49, Dixons will treat Espace Beaulieu as a consolidated subsidiary company.

"The reality is that we have transferred the risk and have effectively made a sale, but for projected accounting reasons we have been unable to register it as a sale," Mr Robert Shrager, Dixons finance director, said yesterday. "It will have no immediate effect on the profit and loss account until Espace Beaulieu sells it to a third party when the profit can be recognised."

The refinancing was arranged by Citibank, with ASLE-CGER Bank acting as the senior lead manager.

Exceptionals and interest costs leave Waddington 22% lower

By Peggy Hollings

HIGHER interest charges and redundancy costs knocked pre-tax profits at John Waddington, the packaging, printing and games company, back 22 per cent to £12.5m last year.

The company, which yesterday also announced the appointment of managing director Mr Martin Buckley as chief executive, revealed a strong performance at the operating level, however, where profits were just £340,000 down to £18.3m on turnover slightly ahead to £221m (£225m).

Interest charges rose by £1m to £3.6m for the 12 months to April 4, although gearing by the year-end had fallen from 54 to 42 per cent. Net debt was down by £6m to £29m.

The 140 redundancies and other cost cutting measures taken by the group would result in annual savings of

more than £2m, said Mr Geoffrey Gibson, finance director.

Packaging showed the greatest improvement with a £2m increase in operating profits to £11.5m.

The printing division suffered from declining demand and severe competition in the UK business stationery market. Operating profits tumbled from £4.7m to £2.5m.

Games, the business for which Waddington is best known with names such as Cluedo and Monopoly, fell by £200,000 to £3.4m at the operating level.

Mr David Perry, who was appointed deputy chairman yesterday, said the company was set to benefit from the 1996 five-year capital expenditure programme.

Earnings per share dropped from 14.75p to 11.59p. The proposed final dividend was maintained at 4.3p, for an unchanged total of 7.9p.

COMMENT

The only surprise in Waddington's results was its decision to take the £3.3m charge on the disposal of plastics business, Pacplas, below the line. But since this is in accordance with current law, there were few quibbles. The capex programme has yet to prove whether it can bring any dramatic returns, but will ensure the company has protected operating profits. The new £17m carton factory is a feather in Waddington's cap, but it is getting lower prices than expected. Credit must go to management for holding operating profits. Nevertheless, the jury appears to be out on whether it can boost them enough to provide significant earnings growth. Forecasts are for £17m next year, and the shares at 204p leave a multiple of 13 times. A solid company, if unexciting at the moment.

Placing at 130p values Country Casuals at £22m

SHARES in Country Casuals, the women's clothing retailer and designer, were yesterday placed with a variety of institutions at a price of 130p, valuing the company at £22m, writes Richard Gourlay.

The shares will begin trading on June 25, but there is no public offering for sale.

The price represented 15.9 times pro-forma earnings for the year to January. Some 8.3m of the 17.1m shares in issue were placed.

The management team, led by Mr John Shannon, chairman, will be left with 32.5 per cent of the enlarged capital, while Invesco MIM, will retain a 14.4 per cent stake.

Mr Shannon said he saw the flotation of Country Casuals as "a beginning" not the end of the process begun in 1989 when Coats Vytella sold the company to his management buy-in team.

He expected growth to come

from continued expansion of the Country Casuals brand through more retail outlets and through the introduction of its Diffusion Sport casual wear.

The company was in no hurry to expand through acquisition, but it intended to apply the same management techniques that revived Country Casuals to another brand which it would buy in the medium term.

Country Casuals designs and sells tailored and knitted separates for the £70n a year outerwear ladies market.

Last year pre-tax profits were £2m on sales of £38m. Having started with debt of £10.6m, the company had positive net cash at the last year-end. Since the buy-in, trading margins have increased from 4.4 per cent to 6.1 per cent.

The company will be receiving £4.6m after expenses from the shares sale.

Italians invest in white goods unit of Polly Peck

By Haig Simonian

THE ADMINISTRATORS of Polly Peck International, have agreed a deal under which Merloni Elettrodomestici, the Italian white goods group best known for its Ariston brand, has bought 25 per cent of two Turkish white goods producers owned by Vestel, the Turkish consumer electronics subsidiary of the collapsed fruit and electronics conglomerate.

Separately, Candy, another leading Italian manufacturer, has signed a £70bn (£31.5m) deal with the Libyan government to build and equip a plant to produce 50,000 refrigerators within the next two years.

The Merloni deal, being conducted jointly with Philco Italia, in which Merloni has a 60 per cent stake, includes an option to buy a further

minimum 25 per cent share in the two Turkish companies within the next two years.

Merloni is paying \$8m (\$4.3m) with a further \$9.5m if it exercises its option.

It is also injecting \$8m in capital into the two companies, which were set up recently.

Coopers & Lybrand Deloitte, Polly Peck's administrator, said the sale was unlikely to provide any funds for the £1.5m owed to the 23,000 creditors.

The two Turkish groups are called Polar Teknik and Polar Pazarlama. They have 750 employees and make fridges and washing machines respectively.

Combined output amounted to about 200,000 units last year, and is forecast to rise to 300,000 this year, two-thirds of it fridges.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Booth Industries.....	2.5	Oct 1	2.5	3.2	3.2
Bulgin (AF).....	0.1	Aug 14	0.1	0.1	0.1
Cable & Wireless.....	9	Oct 1	8.1	13.25	11.8
Chemring.....	10.9	July 31	9.9	-	29.65
Craig & Rose.....	12.5	July 17	13	14.5	15
Crown (Jamaica).....	10.4785	July 31	10.4785	18.3415	18.3415
Quintess & Lohr Inc.....	3.8	July 24	3.8	3.8	12
Gazetech.....	1.8	Aug 28	1.8	-	8.2
Mountainview Ests.....	10	Aug 17	9	18	15
NFC.....	1.45	Oct 5	1.3	-	6.25
Oceanic Comed.....	1	Oct 14	0.75	1	0.75
Office & Elect.....	nil	nil	0.1	0.1	0.1
River Plate.....	3	July 31	3	-	8.9
Waddington (S).....	4.3	Aug 1	4.3	7.9	7.9

Dividends shown pence per share net except where otherwise stated. On increased capital. \$USM stock. Makes 2.7p (2.5p) to date. Irish currency.



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A new look that sees beyond ships

Andrew Bolger on the refocused Powell Duffryn which is searching for capital growth

POWELL Duffryn's recent decision to get out of ship-owning is the latest stage in the group's continuing evolution away from its 19th century origins in the coal fields of South Wales.

Cash from the £19m sale of Stephenson Clarke, one of the most famous names in British shipping, will be invested in the engineering, fuel and bulk liquid storage businesses which Powell Duffryn has concentrated on since the post-war nationalisation of the mines removed its founding product.

Fuel distribution has never been a glamorous business, but it proved sufficiently cash generative for Powell Duffryn to escape a £170m hostile bid from Lord Hanson in 1986 - a trick which has proved beyond many more dynamic companies.

The group maintained its independence by promising to continue paying high dividends - a pledge which has been kept, even though the share price has underperformed the FT-Allshare over the last six years.

Mr David Hubbard, who stepped up from finance director to become chairman of Powell Duffryn after Hanson was seen off, said the takeover was not a wholly negative experience. "Any activity like that is a catalyst for change - as ICI has discovered."

He and Mr Bill Andrews, the new chief executive, set about reducing the group's exposure to the construction industry.

The £20m proceeds from the sale of the group's timber business in 1986 helped fund five acquisitions made the following year in engineering, the sector chosen as having most growth potential.

That focus seemed to be paying off by 1990, when engineering contributed 48 per cent of the group's trading profits. The impact of recession reduced that contribution to 36 per cent last year, but the group is still determined to concentrate more on engineering.

Mr Andrews said the group had selected three areas where it has built at least a European position and potentially could become a world player - combustion technology, railway bogies and marine products such as pumps and compressors.

The group's Hamworthy businesses install and manage burner installations in many of the world's biggest power stations.

Mr Andrews said: "A large part of pollution is coming from combustion, and there is a very positive opportunity to improve that with high-technology combustion management systems. If you look at the East European opportunity, it is almost horrifying, and yet it has all got to be dealt with."

He added: "We intend to grow that business, and acknowledge that it will not be grown sitting on our backsides in the UK - the next target market has got to be the Pacific Rim."

Hamworthy is also a leading supplier of marine equipment such as pumps and compressors. "We have a worldwide distribution network, with heavy demand for spares, said Mr Andrews.

"The world's shipping fleet is nearly 15 years old, and quite clearly the rate of replacement of that fleet over the next decade is bound to rise."

Powell Duffryn's biggest opportunity - and current problem - on the engineering

Powell Duffryn's performance

Share price relative to FT-All-Share Index



Source: FT-All-Share

side is its railway business.

It has invested heavily in building a freight wagon base known as a bogie - for use on both sides of the Channel.

Mr Andrews said: "We have the right product, but the potential customers currently don't have the capital capacity to place the orders."

Mr Hubbard said: "This business is losing money for us at the moment, and there must be a question of a time limit on how long we are to go on doing that."

Powell Duffryn's fuel distribution business is now wholly in the UK. The group's biggest offshore investment is in its bulk liquid storage business, which is spread across five continents.

The bulk liquids business has changed radically since the last oil price crisis, with increased computerisation allowing oil and chemical companies to manage their

operations much more effectively, with less storage.

Powell Duffryn has responded by specialising in the storage of more difficult products and by providing more services - in the US it packages 16m gallons of antifreeze for the retail market.

Mr Hubbard said: "All of the time we are looking for higher value-added services in this sector, because that is where the future is going to lie."

The group has invested heavily to keep its storage terminals up with increasingly stringent environmental regulations, confident that such expenditure will be justified by enhanced profit margins when there is economic recovery.

However, this demand for investment came at a time when Stephenson Clarke had not replaced any vessels for five years and was facing the need to buy new ships over the next four to five years.

Mr Andrews said: "You cannot sustain two businesses

with that sort of appetite for capital within our particular group. I'm not saying they are mutually exclusive - they just were for us."

Despite its exit from ship-owning, the group remains interested in shipping-related businesses. It recently invested £13.7m in the consortium Powell Duffryn leads, which in December successfully bid £180m for control of the Tees and Hartlepool Port Authority, the first major trust port to be privatised.

The group's reshaping continues, with the sale already this year of its remaining foundry interests and further shrinkage likely on the construction materials side.

One thing that had not changed - at least until this month's better-than-expected annual results - was the perception of Powell Duffryn as a rather boring yield stock.

Mr Hubbard said: "I believe that over five years, as we develop the group, we will be appreciated as more of a capital growth potential stock, and therefore less as an income stock."

"It's no use my going out to shareholders and saying forget about income, because they would ditch us tomorrow. The share price has kept the yield up by performing disappointingly. As the share price increases, the yield comes back into the 7 to 8 per cent range. That's still a jolly good yield for a stock with a bit of capital potential."

Just how much potential the new look Powell Duffryn has for capital growth will depend on the pace of economic recovery and the performance of the engineering businesses in which the group has invested.

Gestetner suffers further decline to £8.2m midway

By Angus Foster

GESTETNER, the office and photographic equipment distributor, yesterday reported a further sharp fall in profits at the interim stage after a decline to £2.5m in 1990-91.

The six months to April 30 achieved pre-tax profits of £8.2m, down by almost two thirds from £21.7m in the comparable period.

Mr Basil Sellers, chairman, said the office systems division suffered reduced margins due to changing product mixes and recession. Photographic equipment saw no recovery in sales. But the figures included £3m of redundancy and other costs as 300 more jobs went, following last year's cuts of 1,000. "We've got the costs down and will now just have to wait for the improvement to come," Mr Sellers said.

Sellers said.

Group turnover fell to £440.1m (£451.1m). The UK contribution fell from £27.4m to £19.5m due to recession, while continental sales fell 9 per cent to £206.9m (£228.4m). Gestetner Canada is being restructured after suffering a £3m loss.

Interest charges fell to £5.4m (£7.9m) as net debt fell to £96.4m, including £37.9m of convertible unsecured loan stock. This compares to net debt of £193m a year ago, and follows the conversion of £78m of loan stock last September. As a result, the debt to equity ratio fell to 40 per cent (114 per cent).

Earnings fell to 6.2p (16.7p) or 3.8p (10.4p) fully diluted. The dividend payments of 1.8p per ordinary share and 0.075p per ordinary capital share are

unchanged on last time.

The shares fell 8p to 128p.

COMMENT

These figures were as expected, but Gestetner could have done without the Canadian losses. Costs are now under control, although cost savings are being cancelled out by inflation. Revenues from service contracts have provided some protection from the recession, the company is more reliant on the upturn and resumed buying of new office equipment. However, that looks unlikely to happen in this financial year and full-year forecasts of £19m-£20m put the shares on a slightly optimistic 15 times. While the range and quality of the company's products, and its large sales force, augur well for the longer term, the shares may not go much higher yet.

Booker changes reporting periods

By Maggie Urry

BOOKER, the food distribution, agribusiness and prepared foods group, is changing the reporting periods for its results.

Starting in the current financial year, the group will base its figures on 13 four-weekly periods rather than 12 calendar months.

Booker said the change would make no difference to its dividend policy, but would make management accounting more efficient and help the group's treasury department. Booker shares rose 1p to 45p.

As a result of the accounting period change the current financial year will end on

December 28, while the next year will end on January 1 1994.

When interim profits are announced in September they will cover 24 weeks to June 13, rather than six months to June 30.

However, an indicative pre-tax profit figure on the old basis will also be given.

Booker yesterday published the 1991 interim results on the new basis. These figures will provide the comparison for the current year's interim results. In the first 24 weeks of 1991 turnover was £1.44bn, pre-tax profits were £44.3m, and pre-tax profits were £22.5m.

Earnings per share were 11.56p. Mr Jonathan Taylor, chief

executive, said that the change would cause some distortion as the summer period was a peak trading time for the food distribution activities.

In the last two weeks of June 1991 Booker had made pre-tax profits of £4.9m on sales of £155m.

The group also announced it was buying a fish processing complex in Grimsby from Finnis, part of Nestlé.

Finnis said it would sell the site nearly a year ago. The purchase price is not disclosed, though analysts reckoned it would be only a few million pounds.

Booker is also getting a "substantial" grant from the Department of Trade and Industry.

Acquisitions help boost Chemring to £2.65m

By Peter Pearce

BOTH ORGANIC growth and "the successful integration of the acquisitions made in 1991" helped Chemring Group lift pre-tax profits almost 10 per cent from £2.41m to £2.65m in the half-year to March 27.

Mr Philip Billington, who became chairman on January 1, said he was aiming to increase Chemring's non-defence side to 80 per cent, though he stressed that the defence side made "defensive, rather than offensive products", such as radar countermeasures and flares.

Group turnover rose almost 20 per cent to £18.5m (£15.4m), with acquisitions accounting for £2m of the rise.

In May 1991 the company bought Octavious Hunt - which makes smoke pesticides, sparklers and specialist matches - for £1.54m in cash,

shares and loan notes. In July it paid £7.65m for 48 per cent of Traco, the French electrical transformer manufacturer, to combine with Sécurelec of which it also owns 48 per cent. In August it added Horace Sleep to its Vacuum Reflux specialist clothing company and in September the marine division of Kilgore was absorbed into the pyrotechnic operations of Paine-Wessac.

The group has 70 per cent of the global market for marine pyrotechnics.

Chemring would go to the market for larger acquisitions, said Mr Billington, but had £3.1m cash at the period-end for smaller buys.

He was looking for companies "with markets and manufacturing processes we understand."

Earnings emerged at 35.54p (31.39p) and the interim dividend is lifted 10.9p (9.9p).

Wace shares fall on disappointing trading

By Andrew Bolger

Shares in Wace Group fell 25p to 120p yesterday after the printing services company said trading in April and May had been disappointing.

Mr Francis ten Boe, Wace's chairman, told shareholders at the annual meeting: "In my statement with the results for year ended December 31, 1991, I said that the first three months had given us a sound start to the year. However, trading for the following two months, particularly in May, has been disappointing."

"In the UK both our printing and pre-press operations are finding times particularly difficult. We have seen no signs of an upturn in activity and the market place is as tough as it has ever been. Pressure on margins continues to be acute."

We'd like to thank everyone who talked about the world recession on the telephone

(Record profits 1992)

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-Lord Young, Executive Chairman

- Turnover up 22% to £3.176m.
- Trading profit up 27% to £727m.
- Profit before taxation up 6% to £644m.
- Mercury trading profit up 34% to £155m.
- Hong Kong trading profit up 29% to £483m.
- Recommended full year dividend up 12.3% to 13.25p, final dividend 9p per share.



CABLE & WIRELESS

On Wednesday July 22nd, Cable and Wireless plc will become the first company in the UK to broadcast highlights of its Annual General Meeting. The 30 minute programme will be broadcast on BBC1 television commencing at 5.30am. Cable and Wireless plc, New Mercury House, 26 Red Lion Square, London WC1R 4UQ.

Recommended final dividend of 9p payable 1 October 1992. A copy of the full Report and Accounts, on which the auditors have issued an unqualified report, will be posted to shareholders on 26th June 1992. If you have any enquiries as a Cable & Wireless Shareholder, please call us on 071-315 4455. Approved for the purposes of 837 of the Financial Services Act 1986 by Cassinove & Co., a member of the SEA and of the London Stock Exchange. Past performance is not necessarily a guide to the future. The value of investments and the income derived from them can go down as well as up.

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and during normal business hours on 19th June and 22nd June, 1992 for collection only from the Company Announcements Office, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2. Particulars of Country Casuals Holdings plc will also be included in the Companies Pledge Service, available from Exel Financial Limited, 13-17 Epworth Street, London EC2A 4DL from 3.00 p.m. on 18th June, 1992.

18th June, 1992

Mercury Comms rings up 34% rise to £155m

By Roland Rudd

A STRONG performance from Mercury Communications boosted the year-end results of Cable & Wireless.

The subsidiary increased trading profit by 34 per cent to £155m (£116m) in the 12 months to March 31, on increased sales of £915m (£702m). Group pre-tax profit rose to £544m (£309m).

Lord Young, chairman, said Ofel, the telecommunications regulator, had done a "smashing job" in proposing that BT cut the average level of its prices by 7.5 percentage points below the rate of inflation, against 6.25 points at present.

"This is as good as we could have hoped for," he said. "It will prevent BT from putting up their domestic prices where they have no real competition."

Mercury is committed to increasing the number of residential customers from 200,000 to 2m by the year 2000. In total it has 761,000 lines.

It is also restructuring its sales and network management to work closely with cable TV operators.

Margins in 1991 rose in spite of a 10 per cent cut in international prices. The company's share of the UK international market increased from 14 to 18 per cent. Mercury has now captured 31 per cent of international calls to Japan and 32 per cent to Switzerland.

From next January a BT-style pricing regime will affect group operations in Hong Kong.

Its 58.4 per cent-owned Hong Kong Telecom has agreed to a one-off 8 per cent reduction in international charges in the first year, followed by a 2 per

cent cut in each of the next two years.

The rules allow the subsidiary to increase domestic charges by inflation minus 4 per cent. With inflation running at 10 per cent prices are likely to continue to rise.

Lord Young dismissed the threat of competition - due in the 2000. Its local services are free and the group charges residential customers monthly rental of just £5.

Hong Kong Telecom increased trading profit by 26 per cent to £475m (£370m) on sales of £1.37bn (£1.1bn).

Its international traffic rose by 18 per cent, while traffic between Hong Kong and South China increased by 35 per cent.

Group trading profit increased by 27 per cent to £727m (£572m). Lord Young said growth in the current half would prove even better.



James Ross (left) chief executive, and Lord Young, chairman, welcomed a "smashing job by Ofel"

Legal row threatens Cabra's Fulham deal

By Angus Foster

A LEGAL row has broken out between Fulham Football Club and Cabra Estates, the heavily-indebted property company which owns Craven Cottage, Fulham's ground.

The argument could scupper a January 1990 agreement between the two sides for Fulham to be paid to leave its ground early so Cabra could re-develop the site as residential housing.

In turn, a separate agreement under which Cabra was to sell another west London football ground, Stamford Bridge, to its incumbent, Chelsea Football Club, is also at risk.

Fulham had planned to ground-share with Chelsea, while Chelsea would have used the money raised to help meet the £22.85m price tag for Stamford Bridge.

Successful completion of the two deals is seen as central to Cabra's plans to reduce its net debt, which stood at £55m at the end of March.

Fulham and several of its directors, including Mr Jimmy Hill, the TV presenter, went to the High Court yesterday to seek a declaration that they are no longer bound by a clause in the 1980 agreement.

Under the agreement, the directors said they would not provide any evidence which could help Hammersmith and Fulham council. In a separate action the council has blocked Cabra's re-development plans.

Fulham alleged that only one of the agreed payments from Cabra has been made; security for other payments has not been provided; and Cabra's financial position has deteriorated.

The directors therefore claimed it is now in the best interests of Fulham for "relevant evidence" to be given to a public inquiry, now underway, which is hearing Cabra's appeal against Hammersmith and Fulham's rejection.

The inquiry, which is due to end shortly, has heard from Savills, Cabra's property agent, that the redevelopment project would lose money, even if house prices rose substantially.

Fulham Supporters Club, which gave evidence on Tuesday, claimed that Cabra's failure to secure financial guarantees to cover two future payments due to Fulham have incurred penalties which are mounting at £10,000 a day. Cabra's accrued penalties owing to Fulham now exceed £5m, a spokesman for the Supporters' Club claimed.

The high court hearing and the inquiry continue.

Martin Currie offer for Pacific Horizon lapses

By John Authors

Martin Currie Pacific investment trust yesterday announced that it had allowed its offer for Pacific Horizon investment trust to lapse.

It did so although the offer had been unanimously recommended by Pacific Horizon's board, and had been accepted by 74.51 per cent of shareholders and 54.42 per cent of warrant holders.

This suggested that Jupiter Tyndall Merin, the fund management company which manages Pacific Horizon, had succeeded in its attempt to block the takeover.

Jupiter Tyndall had amassed a 25.1 per cent stake in the company's warrants, and used this to block an earlier offer. Martin Currie Pacific's directors said in a statement yesterday that Jupiter Tyndall "placed an interpretation on the rights of the warrants which conflicted with that of the board of Martin Currie Pacific and its legal advisers".

The statement went on to say that if the offer had been made unconditional, the board believed Jupiter Tyndall would not have been in the interests of its shareholders, according to Martin Currie.

However, Martin Currie made it clear that it was reserving its position and waiting to see the new proposals which Jupiter Tyndall has promised in the near future.

Dundee & London assets decline

Net asset value at Dundee and London Investment Trust declined to 362p at April 30 1992. That compared with 277p six months' earlier and with 282p at April 30 1991.

For the half year ended April 30 1992 pre-tax revenue was £1.08m (£1.3m). The interim dividend is again 3.8p.

Acquisition and rights planned to transform Finlan

By Peter Pearce

FINLAN GROUP, the property and building materials company where the 10p and 1p shares were suspended at 24p and 3p respectively in May, yesterday announced the acquisition of a private company, a rights issue, a reorganisation of its capital structure and a change of name.

It has conditionally agreed to acquire and assume the name of Birkby, the Huddersfield-based rental group, for £4.06m, to be raised via the issue of

4.06m new ordinary 5p shares.

Mr Kim Taylor-Smith, finance director of the old Finlan and the new Birkby, said the name change was appropriate because the reorganisation - begun last November and in which the banks gained half the equity - had disposed of its debts and virtually all of its property interests, leaving the company almost a shell.

Birkby provides managed workspace, especially in the M62 corridor, commercial vehicle hire and instalment credit.

It is forecast to make pre-tax profits of at least £600,000 in the year to July 31 and has "good quality earnings", Mr Taylor-Smith said.

Finlan is to raise about £8m net of expenses in the rights issue of up to 6.73m new ordinary 5p shares. Mr Taylor-Smith said the proceeds would be used to reduce borrowings, including the repayment of £425,000 to Fennoscandia Bank, and provide working capital. At 100p each seven new shares will be offered for every three held and one for every £3.43 nominal of loan

stock, following the capital reorganisation.

Finlan is to create a new class of 5p shares to replace the 1p ordinary, the 10p ordinary and the preference shares. It will cancel the nominal value of the deferred shares - about £14m - and release about £14.8m standing to the credit of the share premium account.

This £28.8m will go to a new and separate reserve, against which Finlan will write off the accumulated deficit of about £26m on the profit and loss account.

Saatchi to reduce debt via US sale

SAATCHI & Saatchi has sold its wholly-owned subsidiary, Yankelovich Skelly White/Clancy Shulman of the US, to an investor group led by Wand Partners. Proceeds will be used to reduce group debt.

Consideration consists of an immediate cash payment of \$4.6m (£3.52m) and a \$4.5m interest-bearing note repayable in tranches up to the end of 1997. Saatchi will also receive non-compete payments totalling \$1.5m.

Yankelovich is a public opinion and market research company. In 1991 it made pre-tax profits of \$688,000 on revenues of \$11.1m.

Craig & Rose falls £20,000 into loss

Craig & Rose, the paints, household goods and hardware group, fell £20,000 into the red in the year to December 31. For 1990 there were pre-tax profits of £128,000.

Losses per share worked through at 5p (earnings 21.75p) but the directors are recommending a final dividend of 12.5p (13p) for a total of 14.5p against 16p.

Turnover was static at £5.53m (£5.53m).

River Plate net asset value declines

River Plate & General Investment Trust had a net asset value per share of 108.1p at April 30, compared with 161.1p a year earlier. At the October 31 year end the value was 130.3p.

Total revenue for the six months amounted to £2.32m (£3.14m) and net revenue rose from £2.1m to £2.23m for earnings of 4.14p (3.9p). The interim dividend is held at 3p.

Booth Industries slips to £677,281

Pre-tax profits of Booth Industries, the structural steelwork and engineering group, declined by some £304,000 to £677,281 in the year to end-March. Turnover fell from £32.5m to £30.8m.

Mr James Booth, chairman,

said demand for structural steelwork continued at a much-reduced level, affecting both margins and volume. However, offshore investment had continued at a satisfactory level with prospects of a number of sizeable projects proceeding.

Earnings per share fell to 10.56p (15.99p) but an unchanged final dividend of 9.5p is recommended maintaining the total at 3.2p.

AF Bulgin reduces loss to £107,000

AF Bulgin reported reduced pre-tax losses of £107,401 for the year to January 31. For the previous 12 months the loss was £205,225.

Sales in the period under review declined to £12.2m (£14.1m). Exceptional costs of £70,933 (£562,567) represented the reorganisation of overseas subsidiaries and redundancies.

The extraordinary charge of £60,914 (£202) reflected termination costs of an overseas subsidiary and provisions against group investment. The electrical and electronic components company is paying an unchanged single final dividend of 0.1p. Losses per share

fell to 0.4p (1.31p).

The directors said the first quarter of the current year had shown an improvement, but the second half must be regarded with caution.

Mountview raises dividend by 20%

Mountview Estates, owner and dealer in real estate, is raising its dividend by 20 per cent for the year to March 31, despite a 17.5 per cent drop in earnings.

Turnover slipped to £12.7m (£14.1m), while the pre-tax profit declined from £3.07m to £2.56m after reduced interest charges of £62,900 (£913,000).

The final dividend is 10p for the total of 16p (16p). Earnings came out at 56.5p (116.1p).

Asset value surges at Capital Gearing

Net asset value at Capital Gearing Trust surged in the second half to finish at 363.3p at the year end April 5 1992. At the halfway mark it stood at 302.3p, against 290.4p on April 5 1991.

In 1991-92 dividends and interest totalled £145,000 (£108,000) and earnings per share came to 1.35p (0.14p). The dividend is raised to 0.4p (0.25p) and there is also a special payment of 0.3p.

Stockbroking side boosts Oceana

A strong contribution from the stockbroking side enabled Oceana Consolidated Company to return a pre-tax profit of £72,900 for the year ended March 31 1992.

That compared with a loss of £1.39m previously, after exceptional charges of £1.63m relating to an insurance claim and the writing down of the value of an unquoted investment.

Turnover of this financial services group increased by £1m to £9m. Earnings per share were 2.31p against losses of 16.74p and the dividend is raised to 1p (0.75p).

Asset growth for Finsbury Trust

Net asset value per share of Finsbury Trust hardly moved over the 12 months ended March 31 1992, but has since risen by 14.5 per cent.

At March 31 it stood at 111.1p, compared with 110.8p a year earlier after expanding to 119p at September 30 1991. By May 29 1992, however, it moved up to 127.3p.

Bibby in talks about raising Spanish bid price

By Peter Bruce and Peggy Hollinger

AN ANNOUNCEMENT was expected this morning regarding the hostile bid by J Bibby & Sons, the UK industrial and agricultural conglomerate owned by Barlow Bank of South Africa, for the monopoly Spanish Caterpillar distributor, Finanzauto.

Bibby and Finanzauto executives were meeting in Madrid

yesterday, negotiating a possible increase in the bid price.

They were not available for comment.

The Spanish stock market commission said Bibby would be able to modify the £14,300 a share offer if it got approval from its shareholders.

The bid, worth some £130m (£71.4m), is the first hostile takeover attempt by a foreign company in Spain.

FT CONFERENCES

THE ALLOCATION OF RADIO SPECTRUM

London, 22 & 23 June

This high-level conference will review different ways of allocating the radio waves, as a result of advances in technology and the end of the Cold War. Speakers include: Mr Edward Leigh, MP, Parliamentary Under Secretary of State for Technology; Ambassador Jan Baran, Chairman of the US delegation to WARC 92; Mr Michael Goddard of the European Radiocommunications Committee; Mr Jean Granier of Eutelsat; Dr John Forrest of National Telecommunications; Mr Chris Eamshaw of British Telecommunications and Mr Mike Pollon of Motorola.

WORLD GOLD

Montreux, 22 & 23 June

Mr S Venkatarman, Governor of the Reserve Bank of India, will deliver the opening address at this year's annual FT conference. Expert speakers from North America, Europe, the Far East, Australia and South Africa will examine central bank and investment attitudes to gold, review the short and medium term outlook for the gold price and discuss the challenges facing the mining industry in the 1990s.

INVESTMENT OPPORTUNITIES IN SWEDEN

London, 1 July

A one-day conference to examine Sweden's large-scale privatisation programme, and the Government policies being implemented to revitalise the economy and make Sweden more attractive to foreign investment. Mr Per Westerberg, Swedish Minister of Industry and Commerce will give the keynote opening address. Other speakers include: Mr Urban Backström, Under Secretary at the Swedish Ministry of Finance; Dr Peter Wallenberg, Chairman of Investor AB; Mr Rune Andersson, Chairman of the Board of Swedish Steel AB; Mr Herman C van der Wyck, Chairman of S G Werberg & Co and Mr Brian Knox, Adviser at Kleinwort Benson.

TELECOMMUNICATIONS AND THE EUROPEAN BUSINESS MARKET

London, 6 & 7 July

Speakers taking part at this year's annual FT conference include: The Rt Hon the Lord Young of Grafton of Cable & Wireless; Mr Ernesto Pascale of SIP; Mr John Benoit of AT&T; Mr Vlastimil Vucina of Swedish Telecom International; Dr Klaus Grawlich of Deutsche Bundespost Telekom and Mr Kurt Helström of Ericsson Radio Systems AB.

MANAGING FINANCIAL RISKS

London, 6 & 7 July

The workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. It combines comprehensive technical reference material with an interactive format, case studies and worked examples.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4JL. Tel: 071-925 2323 (24-hour answering service). Telex: 27347 FTCONF G, Fax: 071-925 2125

POWER GENERATION EQUIPMENT

The FT proposes to publish this survey on July 30th 1992.

The FT is read by over 1000 top European businessmen in power, energy and water industries and 8,500 senior businessmen who specify or authorise the purchase of industrial plant & equipment. This is more than any other international publication in Europe. If you would like further information on how to reach this important audience, please call Bill Castle, on 071 873 3760 or fax 071 873 3062.

Data source: European Business Readership Survey 1992

FT SURVEYS

PUBLIC WORKS LOAN BOARD RATES

Effective June 17

Term	Rate	Rate	Rate
	10%	10%	10%
Over 1 up to 2	9%	9%	10%
Over 2 up to 3	9%	9%	10%
Over 3 up to 4	9%	9%	10%
Over 4 up to 5	9%	9%	10%
Over 5 up to 6	9%	9%	10%
Over 6 up to 7	9%	9%	10%
Over 7 up to 8	9%	9%	10%
Over 8 up to 9	9%	9%	10%
Over 9 up to 10	9%	9%	10%
Over 10 up to 15	10%	10%	10%
Over 15 up to 25	10%	10%	10%
Over 25	10%	10%	10%

*Two-quota loans A are 1 per cent higher and two-quota loans B are 2 per cent higher in each case than shown above. Interest on all loans is payable by half-yearly payments of interest only.

INVESTOR MIM PREMIER SELECT, SICAV

Registre de Commerce, Section B34457

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders of INVESTOR MIM PREMIER SELECT will be held at the Registered Office in Luxembourg, 14 rue Adergasse, on Friday, 26th June, 1992 at 11.30 a.m. with the following agenda:

- To hear and accept:
 - (a) the Management Report of the Directors,
 - (b) the Report of the Auditor.
- To approve the Statement of Assets and Liabilities and the Statement of Changes in Net Assets for the period ended 29th February, 1992.
- To discharge the Directors with respect to their performance of duties during the period ended 29th February, 1992.
- To elect the Directors to serve until the next Annual General Meeting of shareholders.
- To elect the Auditor to serve until the next Annual General Meeting of shareholders.
- Any other business.

The Board of Directors

Notes: 1. A Member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not also be a member of the Corporation.

2. The shareholders are advised that no quorum for the statutory general meeting is required and that decisions will be taken by the majority of the Shares present or represented.

3. To be valid, forms of proxy must be lodged with the Registered Office of the Corporation not later than 48 hours before the time at which the Meeting is convened.

EUROPEAN BUILDING & CONSTRUCTION

Thursday June 18 1992

In most European countries activity is declining as the recession bites. The outlook is likely to remain depressed, with little improvement next year. But one glimmer of light is that infrastructure spending is holding up, says Andrew Taylor

Quietly flows the workload

THE GOOD times have ended for European construction. The heavy earth movers, tower cranes and mobile generators, which in the late 1980s gave some of Europe's biggest cities the appearance of one vast building site, are being switched off or dismantled.

Construction output is flagging in many countries as economic recession and high interest rates have taken their toll on private investment in new offices, shops and industrial plants.

Earnings of contractors and building material companies, as a result, are under pressure as order books and profit margins have declined and competition for a diminishing workload has increased.

Nowhere is this more apparent than in Britain where a steady flow of developers, contractors and building material suppliers, including several publicly quoted companies, have been forced into the hands of receivers.

Other companies which had embarked on speculative development have had to make large provisions as the values of residential and commercial property have fallen sharply.

British construction groups may have come off worse in the recession, but other markets are also suffering.

French contractors and building material companies

which had expanded aggressively into other European countries, making expensive cross-border acquisitions, have been hit as these markets have gone into recession leaving the former predators themselves weak and vulnerable to takeover.

The struggling Société Auxiliare d'Entreprises was snapped up earlier this year by rival French construction group Fougere in a deal worth FF4.5bn (\$468m). Italcement, Italy's largest cement company, recently bought control of Cimenterie Française, France's second biggest cement for FF6bn (\$611m).

Cimenterie Française, in particular, had been very active in making cross-border acquisitions, leaving its balance sheet badly stretched as building output across Europe, including France, moved into reverse. French cement sales are forecast to fall by 5 per cent this year with domestic construction activity, particularly in the private sector, expected to stagnate after rising sharply in 1989 and 1990.

Construction output in most northern European markets is likely to stand still or decline this year. Growth in Spain - until recently Europe's fastest rising construction market - is expected to slow markedly as a result of economic pressures and as big building programmes for the Barcelona



Construction companies are now looking to work from former communist countries in eastern Europe. The picture shows housing in Thuringia, eastern Germany

Olympics and the World Trade Fair at Seville come to an end. Delegates attending today's conference in Helsinki held by Euro Construct, which represents European construction research agencies and economic forecasting bodies, will be told that the outlook for most European contractors and building material companies is likely to remain depressed with most countries expecting only a slight improvement in 1993.

Even Germany, Europe's strongest construction market, expects growth to slow this year. The cost of integrating the former east German republic is placing an increasing burden on the domestic economy. As a result, building investment opportunities are being restricted in other parts of the country.

In some European cities, over-development of offices has left too many empty buildings chasing too few tenants as companies have been shedding labour and closing unwanted premises. Financial services, which had expanded rapidly

during the 1980s, has been particularly hit by the recession which has curtailed the activity of industrial and commercial clients.

This is most apparent in London, one of Europe's biggest commercial property markets which, at its height in the late 1980s, attracted developers from all over the world, notably from Japan, Sweden and north America. Many of these companies are now regretting their enthusiasm for the British market as the value of their investments has plummeted.

Olympia & York, the Canadian-based property developers owned by the Reichmann family, has been brought to its knees by the failure of its ill-fated Canary Wharf office development to attract sufficient tenants in London's former Docklands. The decision to place the development into administrative receivership threatens to cause further hardship to already beleaguered sub-contractors which have been working on the development.

According to a report by the British National Economic Development Office (NEDO), about 32m sq ft of office space was either empty or available for occupation in London at the end of last year. This represented 16 per cent of the total office space of the capital and NEDO said it would take six years to occupy at normal letting rates of take-up.

As a result, commercial construction in the UK is expected to fall by about a fifth this year and total construction by about 5 per cent.

Forecasts to be published at the Euro Construct conference are expected to show falls in output, mostly of around 3 per cent, in the Netherlands, Sweden and Switzerland. Output in France, Italy and Belgium is likely to show little or no growth. In Germany and Spain growth rates are expected to dip sharply.

There are some glimmers of light. Spending on infrastructure, particularly on transport,

is holding up much better than private investment in residential and commercial property. The need for central and local government to make economies has curtailed some of the more ambitious proposals. Nonetheless, infrastructure spending is still rising in some countries although at a slower rate than previously.

In the advanced economies of northern Europe there are plans to upgrade many motorways and to reduce congestion and speed the flow of goods and services by constructing high-speed rail links between main cities. If these plans go ahead, the Channel Tunnel between Britain and France will be a crucial link in a revitalised European rail network.

In southern Europe the demand is for new construction to provide the roads and services which will allow rising economies to flourish. European construction companies and building material companies seeking to take advantage of new opportunities for work have been busy

making acquisitions, taking stakes and forging strategic alliances with local companies mostly in Spain, but also in Greece and Portugal.

The decision to remove barriers to free trade between European Community countries at the end of this year has also prompted a spate of cross-border mergers and stakes between European contractors. French and German companies have been among the biggest spenders among contractors while British building material companies have built up commanding positions in the European roof tile, plasterboard, ready-mix concrete and glass industries.

But not every acquisition has been a success. Some German and French companies have had a lean time of it since they bought into British groups at the height of the UK construction market in the late 1980s as the value of their investments has fallen sharply.

Hochtief, the West German contractor, acquired a 25 per

IN THIS SURVEY

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cent stake in Rush & Tompkins only to see the British construction and property company go into receivership in 1990.

Companies such as Cimenterie Française in France and Stetley, the British building materials group which made expensive cross-border acquisitions in the 1980s, have themselves been taken over. Stetley, which had become France's biggest aggregates producer earlier this year, fell prey to Redland, a rival British materials group and Europe's biggest roof tile manufacturer, after a bitterly contested fight.

Latterly, European contractors and building materials companies have focused on making acquisitions and stake building in the former communist countries of eastern and central Europe. These have a big need for new construction if their fledgling market-driven economies are to thrive.

The problem is not in identifying a need for new construction but in finding the money to pay for it.

Fiatiimpresit. A European system of companies.

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Safeguarding the environment, improving the quality of urban life, creating new infrastructures for uniting Europe—these are some

of the most urgent projects to which the civil engineering sector must contribute. Backed by the experience of more than sixty years, Fiatiimpresit has the resources, the structures and the technologies to play its part. Today Fiatiimpresit is one of Europe's leading general contractors. The recent acquisition of Cogefar and its merger with Impresit have consolidated its forces. With this further strengthening of its organisational structure, Fiatiimpresit is the lead company in three major areas: the general construction business, the specialised companies and the European affiliates. The new construction company, which consists of Cogefarimpresit and its affiliate Impregilo, is already number one in Italy. The specialised companies operate in the fields of engineering and industrial plants (Fiatengineering), the environment (Fisia), territorial projects (Il Nuovo Castoro, Alimenta, Impreinvest, Transfima and Effepti) and services (Emmepi, Sinport, Polis and Adria). The European affiliates, foremost among which are the Spanish company Hasa (with its subsidiaries Huarte, Promiber, Essa, Vyasa) and the Portuguese Soares da Costa, are active in their respective countries, drawing on their synergies with the Fiatiimpresit system. A system based on technical, organisational and financial capabilities, oriented to the new world of development.

FIATIMPRESIT
EUROPEAN GENERAL CONTRACTORS.

EUROPEAN BUILDING AND CONSTRUCTION 2



New houses under construction at Greenhithe in Kent



Waterloo International under construction: the UK end of the Channel link

THE DECISION to remove barriers to free trade between European Community countries at the end of this year has prompted a spate of cross-border mergers and stakes among European contractors.

French and German companies have been some of the biggest spenders. But recently, German and French sights have been more focused on making acquisitions and stake-building in former communist countries of eastern and central Europe.

British contractors, faced with a big upsurge in work in the UK in the 1980s, were slow off the mark to make cross-border purchases. They also faced difficulties in finding opportunities in the more closed German and French markets. But latterly, British construction companies have stepped up their attempts to gain a foothold in continental European markets.

Spanish companies have also been making cross-border purchases. Two of Spain's biggest civil engineering groups, Cubiertas and Entrecanales, last summer paid £24m for a 21.5 per cent stake in Lilley, the Glasgow-based construction group.

The stake was acquired by Tibest Tres, a company jointly owned by the two Spanish contractors. Lilley, in return, paid £3.35m to acquire 2 per cent of Cubiertas, a public works specialist. Lilley and its Spanish partners are currently bidding jointly to build part of the £1.7bn Jubilee underground line extension in London.

The desire to make cross-border acquisitions has been driven as much by the need for contractors to find new work opportunities and to protect themselves from cyclical downturns in domestic markets.

In the latest recession construction mar-

Andrew Taylor on cross-border links

Shift to the east

kets in continental Europe held up for longer and much better than in the UK and US where output has fallen steeply since the late 1980s.

But not every acquisition has been a success. Some German and French companies have had a lean time of it since buying into British groups. Their investments have fallen sharply in value while there is little evidence that these strategic alliances have led to contract opportunities.

Tibest Tres, the west German contractor, acquired a 25 per cent stake in Rush & Tompkins only to see the British construction and property company go into receivership. Parts of its contracting business were then acquired by Hochtief and Ballast Neuhof, a Dutch contractor bought by British Aerospace in 1987.

Philip Holzmann, of Germany, is typical of European contractors which have acquired stakes in other EC companies in the hope that this would open the door for more work. It owns outright or holds strategic stakes in Austrian, British, Dutch, French, and Spanish companies, including a 20 per cent stake in Tilbury Douglas, the UK contractor and developer, which owns the former Chrysler car factory at Linwood in Scotland.

Tilbury, Holzmann and Glaxo, an Austrian bank, have formed a joint venture to redevelop the Chrysler site. Tilbury

separately has formed a joint venture with Holzmann and Jotsa, a Spanish contractor of which Holzmann owns 50 per cent to build a 370,000 sq ft industrial and office development south of Madrid.

Mr Alan Cockshaw, chairman of Amec, the British construction and engineering group, says companies which want to work in overseas markets need to have a strong local base to stand any chance of winning profitable contracts. Companies operating in overseas markets without local knowledge and experience run the risk of being "ripped off", he says.

Amec recently bought a 50 per cent stake in Kittlingberger, a German building and civil engineering group. It also holds a 20 per cent stake in Serete, France's leading independent design engineering and construction management group.

Companies wishing to gain a local presence in European markets have three routes to choose from:

● Forming individual joint ventures with local companies on a project-by-project basis. This involves no long-term financial commitment but does not generate any extra business other than the job in hand.

● Acquiring an existing business outright. This can be costly and difficult. Contractors rely on the local knowledge and skills of their staff. These may leave if their company is subject to a contested bid

from a foreign predator.

● Acquiring strategic stakes. This has been the favoured route of German and French companies, with cross-holdings in each other to cement trading relationships and as a defence against takeover bids.

British and Italian companies which dislike minority investments in companies where they have no control have been wary of this route. And the complex structures of German and French contractors have made it hard for foreign companies to buy into these markets.

Shares of the big five German contractors - Holzmann, Hochtief, Bilfinger, Strabag and Dywidag - are tightly held by each other or by banks. There are large cross-holdings among French contractors.

The British market, by comparison, is much more open. There are many medium-sized contractors whose shares can be bought readily on the stock market.

British companies, because of their vulnerability to takeover moves, have to consider the impact on their share price of any acquisition which could dilute profits in the short term. This makes it difficult for them to justify overseas purchases where these appear to dilute rather than enhance earnings. Continental companies, because of their ownership structure, can take a longer-term view of acquisitions.

Attitudes, however, are changing. British contractors such as Amec and John Brown, part of Trafalgar House, the construction, property and shipping group, have bought stakes in continental European companies. Attention is shifting eastwards as companies try to break into the construction-hungry markets of Czechoslovakia and Hungary. Watch this space.

BUILDING MATERIALS

Solid but inevitable moves

CONSOLIDATION of Europe's building materials market is far more advanced than in the contracting sector.

The incidence of cross-border acquisitions, joint ventures and strategic alliances is far greater among cement, glass, plasterboard, concrete and roof tile producers than it is among contractors which operate in much more fragmented domestic markets.

The prime reason for this is that a purchaser of a building materials company is buying tangible assets whereas a contractor with no production facilities is worth only the sum of the abilities of the people it employs. So it is more risky to invest in a contractor whose key personnel can walk away at any time, particularly after a contested bid, than put money into a building materials producer whose key asset is clay or limestone reserves that can be measured and valued.

The manufacture of high volume, low value building materials such as bricks, cement and concrete tends naturally to consolidate among a small number of large suppliers. These are able to make the best of a low margin business by taking advantage of economies of scale.

That is particularly true in Britain where public companies can be bought up through the Stock Exchange, unlike continental Europe where shares are more tightly held and many companies privately owned. As a result, British material companies have been able to build up large domestic positions. Thus, in the cement industry there are only three large domestic suppliers: Blue Circle, Rugby Portland and the Scandinavian-owned Castle Cement.

Until a few years ago, BPB Industries controlled more than 95 per cent of the UK

plasterboard market. Only recently has it faced strong competition in its home market from Lafarge-Coppée of France and Knauf of Germany. The British brick and concrete industries similarly are dominated by a relatively small number of large and medium sized publicly quoted companies. The result has been that British companies have been able to use their stock market strength to build up a substantial asset base. They have then used this as a springboard to carve out positions in the more fragmented continental European markets.

Thus, BPB Industries is Europe's biggest plasterboard

manufacturer. Redland is the biggest roof tile producer; Pilkington is the largest glass supplier and RMC the biggest ready-mix concrete producer. Steadley, the British building materials group which has recently been acquired by Redland after a bitter takeover bid, is the largest aggregates company in France. Blue Circle has become one of Europe's biggest manufacturers of domestic heating equipment after the takeover of Compagnie Internationale du Chauffage, a subsidiary of Nord Est of France and of Thermopanel, Sweden's largest radiator producer.

Mr Charles Young, chief executive of Blue Circle's home

products division, said the purchases would make the group Europe's second largest supplier of steel panel radiators behind Steadley, part of BSC-Adson, the British building products and packaging group.

The takeovers are the latest in a series of cross-border mergers involving European heating companies. Last month, Robert Bosch, the German conglomerate, succeeded in gaining control of Worcester Group, the British central heating boiler maker, for which it had bid £71.5m. Earlier this year Wolseley, the Midlands based engineering group, paid £77.5m (£26m) for Brose, a large French heating and plumbing supplier.

In 1990 Heyworth, the UK building materials and home products group, paid £165m for Saunier Duval, the French boiler manufacturer.

These moves are typical of the consolidation that has been occurring in European building materials markets, particularly where products are too bulky to be exported easily and competitive pricing can be vulnerable to transport costs. In such cases, it is important that manufacturing plants should be close to main markets. Companies with international aspirations have little choice but to make acquisitions.

Most of the large European cement manufacturers have subsidiaries in other Community countries. At the end of April, Italcement, Italy's biggest cement company, paid £77.5m (£26m) for a controlling interest in Ciments Français, the second largest cement manufacturer in France.

A month earlier Calcestruzzi, the ready-mix concrete producing subsidiary of the Italian

Ferruzzi group, in a joint venture with the National Bank of Greece took control of Hecol, one of the top two Greek cement manufacturers.

The deals marked a new development in the battle for market share by European cement manufacturers. Italian companies until now have stood aside from making cross-border acquisitions, preferring to concentrate on developing sales in a domestic market which boasts one of the world's highest per capita consumption of cement. Nobody is quite sure what the entry by Italcement into the broader European market will herald.

The extent of takeovers and stakebuilding by large manufacturers in the sector might suggest a highly competitive European market in which cement prices might be expected to fall sharply as producers battle for market share during times of recession.

In fact, cement prices in western Europe have proved surprisingly stable by comparison with other basic building materials such as bricks and plasterboard. Prices of plaster-

board, for example, have been slashed in Britain, France and Germany years as BPB Industries, Lafarge-Coppée and Knauf have slugged it out in a bitter war for market share.

The absence of similar price-cutting by cement manufacturers and the relatively low level of cement exports between European countries, even where works are situated close to borders, has prompted a European Community investigation into possible market sharing involving 76 companies including Blue Circle of the UK, Holderbank of Switzerland, the world's largest cement manufacturer and Lafarge-Coppée, the world's second largest manufacturer.

Manufacturers say that they have not colluded and that it would be suicidal to indulge in a price war simply to satisfy European commissioners. Nonetheless, companies risk being fined up to 10 per cent of their annual turnover should the Commission prove that relationships between competitors have become too cosy.

Andrew Taylor

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BUILD EUROPE WITH ITALIMPRESE

There have been two big projects in Europe in the 90's: "THE TUNNEL" and "EURODISNEY".

The Italimprese group is present in both of them.

Two of the Italian companies which took part in the Eurodisney construction works form part of the same group. These two companies are ITIN and COGEI, respective leaders in the mechanics/metallurgy and building sectors of the Italimprese Group, one of the most diversified groups in Italy.

Founded more than 40 years ago, Italimprese is today, with a turnover of 700 billion lire, one of the top 30 private groups in Italy, operating in the sectors of civil, industrial, energy, environmental and transport construction.

ITIN and COGEI took part in the construction of Eurodisney after having concluded two separate and individual contracts.

In 450 working days ITIN realised not only the installation of "Videopolis", but also the façades, the doors, and the glass surfaces of this fantastic place. This contract was awarded through a call for bids in which 9 other important European companies took part. The two nego-

tiations were organised by ITIN, Italimprese International. The other contract was awarded to COGEI for its planned construction of a long motorway "Autopia", a restaurant, and the foundations for a large fair-ground ride "Star Jet".

Let's take a closer look at the activities of ITIN and COGEI.

ITIN is a recently-formed company which combines efficiency with the prestige of leader enterprises in the mechanics/metallurgy sector of the Italimprese group.

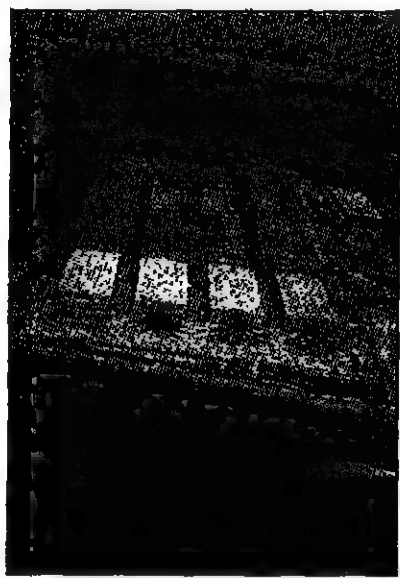
ITIN is present where a complete system is needed, but it also conceives and supplies products and guarantees services in the sectors of civil and industrial engineering, as well as equipment for the production and distribution of energy, rail transport, protection and improvement of the environment.

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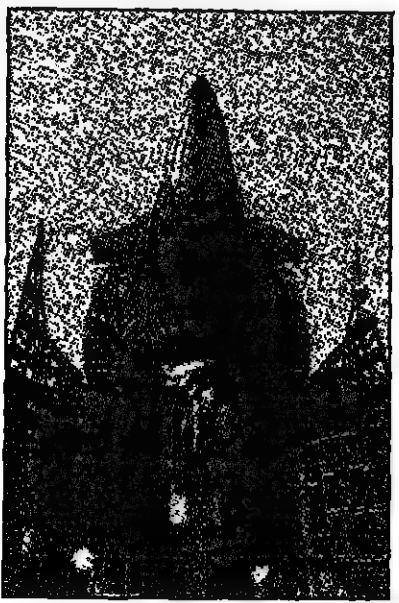


Channel Tunnel - Aerial photograph

has introduced the most innovative technology and the most suitable resources, making use of exhaustive study and research. COGEI has constructed hugely important works all over Italy: large road works (viaducts, tunnels, widening of motorways), rail plants, construction of new lines and vital infrastructures, and maritime and hydraulic works, such as commercial ports. COGEI, having a key role in the Building and Civil Engineering sector, is classified amongst the top ten Italian companies.

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Christopher Parkes, in Bonn, says the upswing is set to continue

The Germans are laughing

THE PRESIDENT of the German-building industry federation, HDR, tried hard to reflect the mood of gloomy caution prevailing in German business circles, but an uncontrollable smile kept breaking out and spoiling the effect Mr Hermann Becker and his members have reasons to be cheerful.

Reviewing the industry's prospects for the current year recently, he forecast falling volume sales, and groaned at the impact of government spending cuts, record interest rates, ballooning land prices and over-generous pay settlements. Business in the east was "stuttering", he said.

But on the bottom line, with expected real growth in west German construction this year of up to 3 per cent, and 17 per cent in the east, the sector is outperforming all other industries. And the upswing seems likely to continue.

Overall 1992 economic growth in the west is forecast at just 1 per cent, and around 10 per cent in the east. With all-German investment of DM361bn planned for this year, the country will account for almost 30 per cent of total European Community investment in building.

"The overall weakness in business conditions has slowed the development in construction, but it cannot stop it," Mr Becker said.

The motor in the west is the pent-up and growing demand for housing. Back in 1987 the authorities were shocked to discover that west Germany needed 1m new homes. In 1990, after unification, they found they needed to refurbish or rebuild virtually the entire eastern housing stock. Later they were confronted with floods of ethnic Germans returning "home" from eastern Europe.

Orders for housing in the west alone rose 19 per cent in the first two months of this year. Completions in Bavaria rose almost 18 per cent in the first quarter. Overall, Mr Becker said, the industry would complete 350,000 houses and apartments this year, compared with 314,000 in 1991.

Public sector orders,



Construction work in central Frankfurt

meanwhile, rose only 0.5 per cent in the first two months, and local authority building plans suggest a 3 per cent overall decline. The government is committed to limiting real public spending growth to 2.5 per cent a year, in effect a cap. But it is also

In practical terms, this means a crash programme to prevent impatient east Germans from uprooting themselves, moving west and wrecking Bonn's efforts to build a balanced economy and society

pledged to giving east Germans living standards that are comparable with those in the west as quickly as possible.

In practical terms, this means a crash programme to prevent impatient skilled and educated "Ossi" workers from uprooting themselves, moving west, and wrecking Bonn's efforts to build a balanced, unified economy and society.

In cash terms, according to the respected Ifo research institute in Munich, this means spending DM2,400bn by the year 2005. A study prepared for the HDB suggests 40 per cent of the total will be needed for housing, 22 per cent for the economic infrastructure -

items such as energy supply - 15 per cent for road and rail links, and 6 per cent for drains, waterworks and other environmental projects. This presents the construction industry with a challenge - increasing output in the east by 15 per cent annually for 15 years - which many see as impossible. So far this year, as investors

have registered the loss of the early "unification dividends" and the cooling of the boom, German construction stocks have tended to be marked down or put on "hold" in analysts' recommendations.

But there are still a few companies in Germany this year where earnings per share are expected to grow at the rates forecast for builders such as Bilfinger & Berger (24 per cent) or even Strabag, exposed to public spending cuts by its dependence on road construction and other public sector contracts, and still forecast to show a 14 per cent rise.

And while the industry contemplates the daunting panorama of order prospects - reaching far beyond the former GDR and into Czechoslovakia, Poland, Hungary and into the former Soviet Union - it also confronts the task of restructuring itself, the better to compete at international level.

German industry is renowned for its plethora of small and medium-sized concerns which comprise the so-called Mittelstand, and construction is no exception. Of the 85,000 building companies registered in the west, only 11,000 employ more than 20 people.

According to HDB, the advantages of scale show up in items like personnel costs - 35 per cent of the value of production in a company with more than 500 employees and 41 per cent in one with 20 to 50. Costs of materials to the larger operators are only two-thirds of those carried by the smaller groups.

The trend towards concentration is gathering pace accordingly. In early May, for example, Walter Bau, led by Mr Ignas Ban, a former apprentice bricklayer, wound up a rapid-fire series of acquisitions when it won control of Munich-based Dywidag. With an extra DM3.7bn in sales, the company was catapulted to a close second place in the German big league and its annual turnover came within DM500m of Philipp Holzmann's DM1.1bn.

Italian industry's image has been tarnished by political scandals

Contracts lead to corruption

THESE ARE testing times for Italy's construction industry. Already hard pressed by difficult economic conditions, the industry has recently come under fire after disclosures of corruption in public contracts.

Earlier this year Milan magistrates, investigating irregularities in major projects, dented the construction industry's reputation when they ordered the arrest of senior executives of several construction companies, along with local politicians.

To counteract the damage to the industry's image, the board of ANCE, the national building contractors' association, met last month to discuss the Milan kickback scandal. Pointing out an accusing finger at increasing delinquency in Italian society generally, ANCE put much of the blame for corruption on the progressive spread of political influence.

Recognising the high potential for corruption in the construction industry, the association called for clearer separation between politics and public administration and for greater transparency in awarding contracts. "The construction industry hopes that not only will there be legal outcomes to the present cases, but that there will also be a reversal of the pollution in relations between the public authorities and firms."

Figures from ANCE show that the biggest public spenders are the ANAS highways authority (13.9 per cent of total public sector business of L51,461bn last year), the state itself (13.4 per cent), the southern development agency Agosud (11.5 per cent), the FS state railways (9 per cent) and the ENEL state electricity corporation (7.4 per cent). The authorities in Italy's many provinces and communes collectively accounted for 35.3 per cent of public sector construction business in 1991.

Though public sector works accounted for only 21.7 per cent of total investment in construction last year - down from 1990's figure of 23.4 per cent - the absolute value nevertheless represented an

Italian construction industry: turnover in Lbn					
	1988	1989	1990	1991	1992*
Residential: new	33,507	36,445	40,738	44,435	47,101
Residential: improvements	22,184	23,569	25,763	29,327	31,386
Non-residential: private sector	26,076	31,708	36,423	38,730	42,535
Non-residential: public works	24,423	27,020	30,187	31,461	32,047
Total construction	106,189	118,772	134,099	144,953	153,061
Real change (%)	2.3	3.5	2.5	8.1	-0.4

*ANCE estimate Source: ANCE

appetising market for Italy's work-hungry contractors.

If ANCE's forecasts are correct, however, they will be sharing a smaller cake in 1992. The association published figures earlier this year that point to an expected 3.9 per cent fall in the real value of public sector construction. Added to the 3.5 per cent real decline between 1990 and 1991, this will completely erode the growth that occurred between 1988 and 1990.

But the outlook may be worse, ANCE officials now admit. As the recent government decision to freeze all non-essential work until October highlights, part of the solution to the problem of Italy's deficit-ridden public sector finances is likely to be a sharp brake on investment. Moreover, the policy of tightening the purse-strings may continue until the mid-1990s as the government attempts to put the accounts in order.

Fortunately for Italy's contractors, there are some areas of light. While local authorities may expect a sharp reining back, ENEL's power station projects should not be affected. And ANCE is optimistic that work on Italy's TAV high-speed railway project will be under way before the end of the year. The contractors' association notes that the TAV's mixed public-private sector financing and management formula offers an innovative solution.

With the past two years recording significant falls in the real value of investment in public sector construction, and a short to medium term that is full of imponderables, companies cannot rely on work from this segment of the market.

Indeed, as ANCE officials note, the health of its

membership depends on private sector business. And, though registering a significant slowdown, the volume of private sector construction nevertheless continued to grow last year.

ANCE's figures record L73,762bn of total housing investment last year (new and improvements to existing stock), compared with L67,489bn in 1991. This represented a volume increase of 1.2 per cent, a modest performance when set against real growth figures of 2.4 and 1.7 per cent for 1988-89 and 1989-90 respectively.

Non-residential private sector construction provided business worth L39,730bn last year. Notwithstanding the downturn in the Italian economy, this was 1 per cent higher in real terms than in 1990. It represented, however, the end of strong upward trend. Real growth of less than 4 per cent had been recorded only twice since 1985: 1.6 per cent in 1986-87 and 3.8 per

cent in 1987-88.

ANCE's 30,000 member firms, whose payrolls account for about half of the 1m workers employed in the Italian construction industry, are facing a difficult period. Growth in private sector work is not expected to compensate for this year's sharp decline in public sector business.

"The economy is stagnant, and private sector construction activity reflects this. The recessionary climate is deterring industrial and commercial concerns from investment. Housebuilding has also slowed," says an ANCE official. Indeed, the association's forecasts point to zero growth in the construction of new residential property this year.

With ANCE expecting a 0.4 per cent downturn in the real volume of total public and private sector construction work this year, the first negative outturn since 1987, what prospects do foreign markets offer? Performance over the past decade, during which Italian contractors have registered a 75 per cent drop in business abroad, suggests that markets beyond Italian borders, reachable only by the largest firms, will not ameliorate the pain being felt at home.

David Lane
Rome

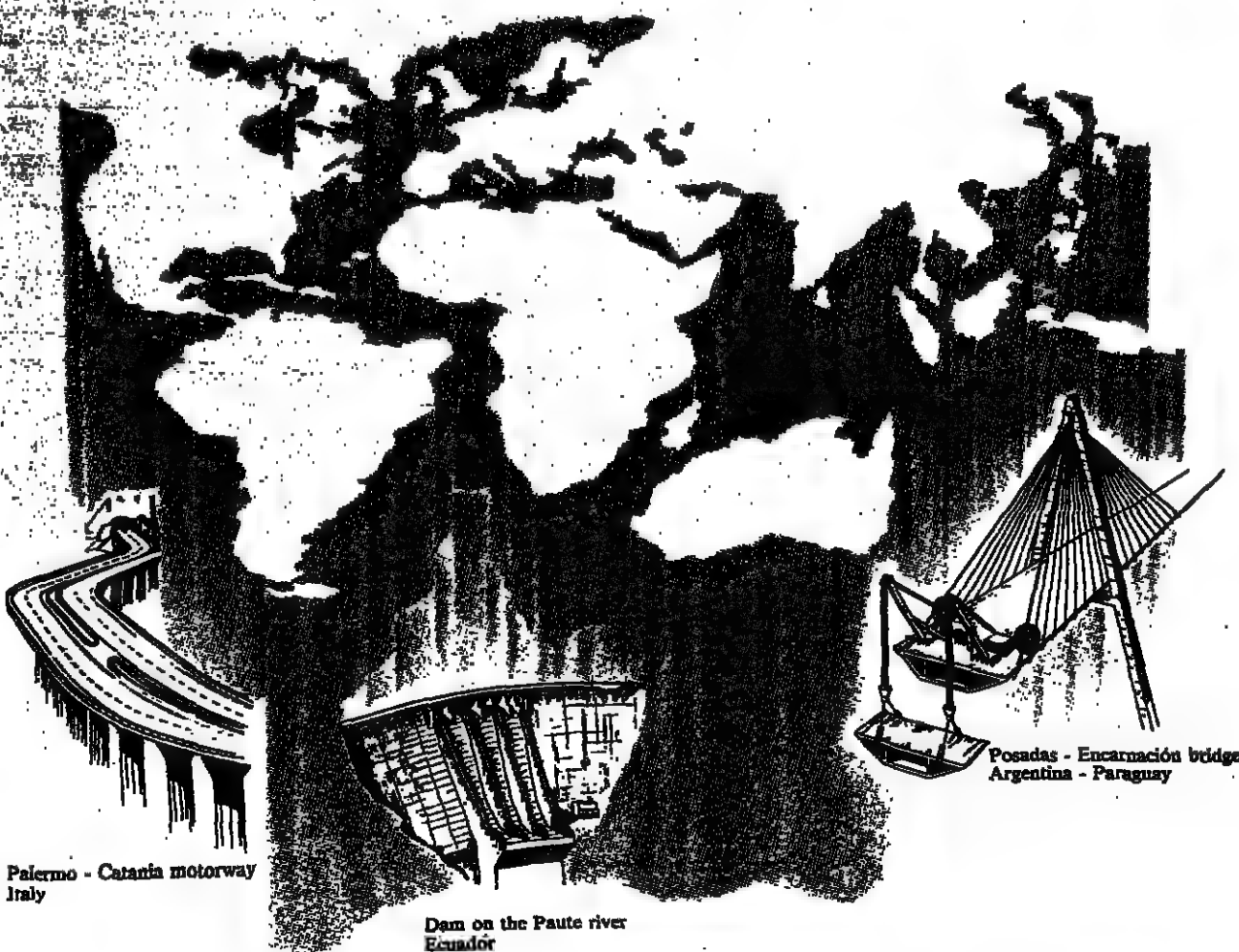
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EUROPEAN BUILDING AND CONSTRUCTION 4

Andrew Taylor says the British market remains depressed

The pain may linger

THE OFFICE tower at Canary Wharf - Britain's tallest building at 800 ft - dominates the skyline of east London. It stands as a massive monument to the failure of the British commercial property market in the late 1980s.

The failure of the Canary Wharf project and the collapse of its developer, Olympia & York, owned by the Reichmann family, mirrors the misery which has been felt by hundreds of British construction companies and building material suppliers.

Just as Centre Point, an office block which remained empty for many years in London's West End, became a symbol of the 1970s property market collapse, so the Canary Wharf tower remains a painful reminder of the precarious nature of speculative development.

The pain looks like lingering. Property investors are unlikely to begin new projects while newly-completed office blocks continue to struggle to find tenants.

This will hit workloads and depress profitability. Intense competition for a diminishing number of potential contracts has meant that profit margins have fallen sharply for other types of construction work.

Contractors which have already cut bids for work as low as possible and still failed to win jobs say that some companies appear to be taking contracts at zero margin or even at a loss. These companies need to keep cash coming in to pay interest payments on borrowings which were raised during the mid to late 1980s when the commercial and residential

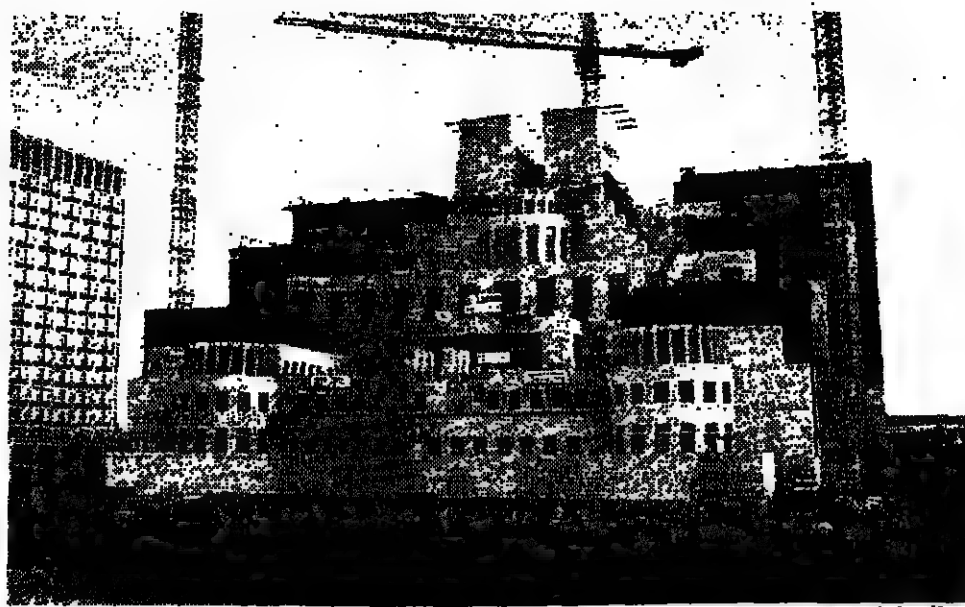
property markets were at their height.

According to a report by the National Economic Development Office, about 33m sq ft of office space was either empty or available for letting in London at the end of last year. This represented 18 per cent of the total office space in Britain's biggest commercial market and would take six years to occupy at normal rates of take-up.

So much space remains empty in London, including large amounts at Canary Wharf, that it could be several years before Britain's biggest commercial property market returns to anything like normality.

The effect on contractors and suppliers has been to reduce workloads while those companies which undertook speculative residential and commercial developments saw the value of their investments fall steeply as the cost of the money borrowed to build them went up.

Even such companies as Wimpey, Barrat, Costain and Tarmac have been required to make substantial provisions, running into hundreds of millions of pounds, to reflect falls in residential and commercial land and property values since the markets peaked in 1988-89. Dividends have either been cut or have been paid only from reserves. There should be no further



A nine-storey building being constructed by Regellan, just south of Vauxhall Bridge, London

write-downs unless there is a further dip in property values. Nevertheless, the outlook for the British construction market remains very depressed - despite signs that a slow thaw may be starting in the housing market.

Builders and estate agents say that more people have recently expressed interest in making purchases and visiting houses for sale, but to persuade them to put hard cash on the table remains very difficult.

There is often a long lag between expressions of interest and the actual completion of a sale. Purchases often fall down at the last minute and builders say they still have to offer substantial sales incentives in order to complete deals. They are reluctant to talk of the beginnings of a recovery, particularly as house purchases would normally be expected to rise in the spring.

Nonetheless, companies such as Wimpey, the country's second largest housebuilder, say that sales have been running at about 10 per cent higher this year compared with the corresponding period last year.

Builders remain concerned at margins. One of Britain's biggest construction groups which has a medium-sized housebuilding subsidiary operating mainly in southern England says that it is continuing to sell homes at little or no profit after taking into account interest charges and other overheads.

The company is still working through high cost land bought during the late 1980s when

1983. Even then, prices may rise only slowly. There is longer-term concern that Britain's membership of the European exchange rate mechanism will result in slower growth in house prices in future as a result of lower general inflation rates.

Work for housing associations, however, has increased sharply as public and private sector finance available to associations has risen substantially.

The only other glimmer of light in an otherwise gloomy outlook for the sector has been

the increased spending by the recently privatised water and power companies which have been catching up with their capital investment, neglected when they were under public ownership.

Water companies, in particular, have been spending heavily, to the benefit of tunnelling companies. Competition among contractors, seeking to replace work lost in other areas of construction, has meant that margins even for water and sewerage projects have not been as high as might have been expected.

Euro Construct, an organisation representing European construction research agencies and economic forecasting bodies, is expected to forecast today that construction output in the UK will fall by about 5 per cent this year. This would follow a 9 per cent fall last year.

The biggest fall is likely to occur in commercial building, mainly offices and shops, where output could decline by more than a fifth this year. Construction of factories and warehouses is also likely to decline as industrial companies continue to hold back from making new investment until they can gauge the strength of the recovery more clearly.

The outlook for private industrial work is difficult to determine now that this sector includes water and power companies. Construction of the Channel Tunnel, also classed as private industrial work in Environment Department statistics, is likely to slow however as the building phase of the project is completed.

Contractors have also been disappointed that the big increase in road spending by the government at the end of the 1980s has not produced a greater flow of orders. Margins for road work are also depressed, along with much of the rest of construction work.

Profits of British construction and building material companies are likely to remain under pressure this year, even though there are unlikely to be any further property write-downs. There is unlikely to be any substantial bounce back next year, with construction output forecast to remain relatively flat in 1993.

Dutch housebuilders may be hit

Expertise could boost orders for specialists

LIKE THE Dutch economy as a whole, the construction industry in the Netherlands is now facing a period of slower growth after enjoying a surge in business in the mid to late 1980s. The downturn for builders, however, is projected to be worse than for the economy's own fortunes.

Housebuilders are expected to experience the greatest contraction in their segment of the market in the years ahead, while specialists in road, soil and marine construction appear to have more favourable prospects, provided that big infrastructure projects such as the expansion of the port of Rotterdam and the Dutch railway network proceed as planned.

Abroad, the Dutch will remain important players in hydraulic engineering, bridge-building and dredging, all three areas in which the Netherlands has become expert through its own struggle against the sea. For example, the country's largest builder, Hochtief, is tipped to benefit from orders flowing from Hong Kong's airport project.

Hochtief has also recently become the first Dutch builder to acquire a major German construction company. Its new subsidiary, Raiffeisen, which has annual turnover of around DM250m, gives the Dutch company a foothold in the former east Germany through two construction companies acquired by Raiffeisen shortly before its own takeover.

Other internationally-active Dutch builders such as Wilma and Kelder Wessels are also stepping up their involvement in German construction projects to benefit from faster rates of growth in the Netherlands' eastern neighbour.

At home, the overall volume of construction is expected to dip in 1993 and then resume a modest upwards trend in the years until 1996. According to the construction industry research institute EIB (Economisch Instituut voor de Bouw/verbouw), the industry as a whole will, on average, post annual growth of 0.3 per cent in the period 1993-1996.

The EIB notes that although the expected growth rate for the early 1990s is relatively small, the Dutch construction industry entered the decade at an historically high level. In fact, even if average annual growth falls to exceed 0.3 per cent, the early 1990s are expected to produce the highest average volume of construction since 1970, as measured by 1987 prices.

Housing, however, is an exception. According to the EIB, this sector could face an annual average decline of 5.0 per cent by 1996, reflecting the cuts in government money for

the subsidised housing sector as well as a slowdown in the growth of new households. The research institute forecasts that the number of housing units built with the help of state subsidies will plummet to just 41,000 in 1996 from 61,000 in 1990.

By contrast, the non-housing sector - the industry's largest - will see an 0.8 per cent annual rate of growth, well below the 3.9 per cent forecast for the soil, marine and road sector.

Besides projects in the Rotterdam port and the expected construction of a high-speed "TGV" train line from Brussels to Amsterdam, the Dutch construction industry also looks forward to the launch of Amsterdam's urban development project on the banks of the "IJ" waterway later in the 1990s. Bureaucracy and outstanding financial problems make it difficult to predict a date for construction to begin.

The industry was fined for running a "cartel". The Dutch have appealed and await a court ruling.

Dutch builders also face the prospects of fines from the European Commission because of the way the industry deals with tenders. In February, the EC imposed fines of Ecu2.5m on the industry for running what Brussels calls a cartel. The Dutch, who deny price-fixing, have appealed and await a court ruling.

The EC's wrath is directed at the way 7,000 Dutch building companies (and, to a lesser extent, foreign builders who work in the Netherlands) decide among themselves which company should be chosen as the designated bidder for a specific building project.

As part of the system, which accords with Dutch law, the various construction firms hold a meeting to reveal the level of the bids they have submitted. One of them is then selected to negotiate with the commissioning company. The ultimate price paid for the construction project will include the costs which the other companies incurred in drawing up their bids. These costs are reimbursed to the unsuccessful bidders.

The EC says that the system adds 3 per cent to construction prices in the Netherlands. The industry disputes this, saying that building prices and profit margins are among the lowest in Europe. It also argues that the Netherlands open system is preferable to deals in "smoky back rooms" which it says occur in other countries.

Ronald van de Krol

Industry is facing new problems

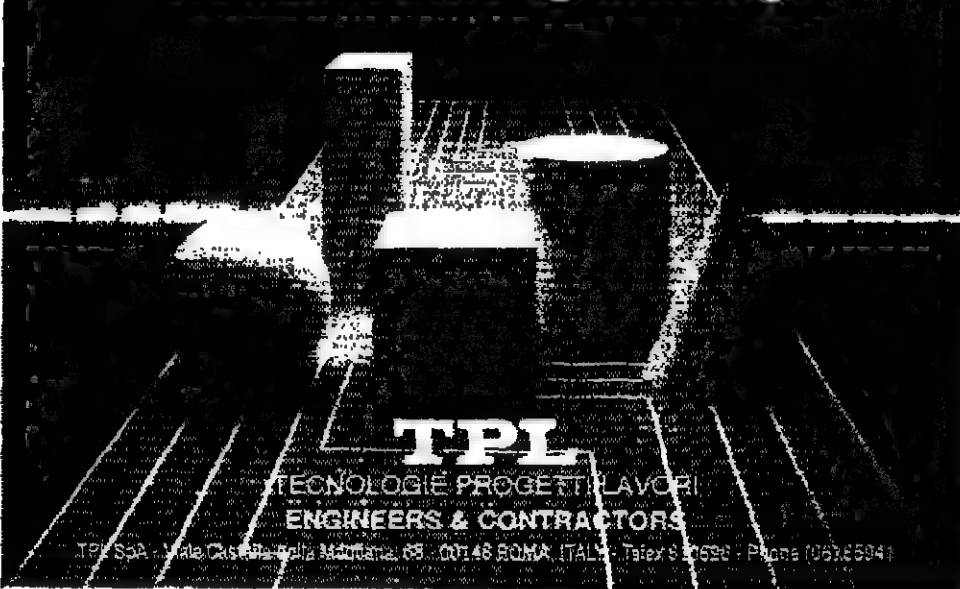
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Spain has gone from frenzy to second gear,

reports Tom Burns in Madrid

Applying the brakes

SPAIN'S CONSTRUCTION industry fell to its nadir just when it appeared to be at an all-time frenzy.

In April the paint was still drying on the battery of new buildings at Expo '92, the world exhibition that opened that month in Seville and signposts were still going up on the 70 kilometres worth of city ring roads that had been built for the event. In Barcelona, where the Olympic games will be staged next month, a final sprint was on to complete stadiums, more expressways and a custom-built village to accommodate the athletes.

Then, Seaplan, the construction industry's association, delivered the bad news. Its newsletter said that - though it had little data to go on so far this year - everything indicated an "alarming" mid-term future for its members.

Cement consumption in January had dropped by 13 per cent against the first month of last year and construction jobs had fallen by 10 per cent in the first quarter.

The most worrying statistic of all was that official tenders in the first two months of this year were 58 per cent down on the same period in 1991, totalling Pta108.9bn (\$59.67m). It was the worst two opening months for the past five years.

Mr Leonor Aresti, an analyst at Madrid brokers FG Inverciones Bursátiles, believes the construction sector will find the going very tough until 1993 as the depressed market, illustrated by the collapse of tenders, works its way through the balance sheets with an 18-month time lag.

"Tenders started coming down in the second half of last year," he says, "and they will not begin to rally until the second half of this year."

The construction companies are already feeling the pinch. The Public Works Ministry, an administration that is not noted for the urgency with which it settles its accounts, has traditionally taken between five and six months to pay its contractors. Now the process is taking between eight and nine months and officials are hinting that delays might get longer still.

Overall money owed to the sector is independently calculated at Pta700bn. The big companies can survive - the administration will pay in the end - but many of the small ones are in trouble. Small construction firms, which make their living from sub-contracts

and which borrowed heavily during the boom years of the late 1980s, are the last in line to receive payments.

The Spanish economy has changed down fast from overdrive to second gear. It has braked so sharply that the effect on some sectors, such as construction, is more punitive than it would be in economies that had never known such high growth in the first place.

GDP, the gross domestic product, grew at an average 5.3 per cent in 1986-88. In 1990 growth was down to 3.6 per cent and last year it slowed further to 2.4 per cent. Growth this year is expected to be barely above the 2 per cent mark. Internal demand stood at 2.9 per cent last year, nearly two full points down on 1990.

The Finance Ministry has in the meantime unveiled a convergence plan, which aims at righting economic imbalances and so have Spain ready to meet the Maastricht summit's criteria for Economic and Mon-

etary Union within Europe in 1997. The bad news for the construction sector is that under the plan the budget deficit, which currently stands at 4.4 per cent of GDP, will be reduced annually by 0.5 per cent over the next five years.

If there is a silver lining for the Spanish building industry, it may be found in government statements which indicate continued efforts to improve the nation's infrastructure.

Finance Ministry officials say money will be saved on health and social security benefits but will continue to spent on education, on job training and on infrastructure, the three main areas where there is a clear competitive deficit with the richer EC economies.

The investment programme that has now been completed with Seville's Expo '92 and the Barcelona Olympics has brought into sharp focus the pressing need for continued investment elsewhere. Thus Seville and Barcelona have revamped airports but Madrid's airport is woefully deficient; Seville now has a high-speed train link with Madrid, but Madrid urgently requires one with Barcelona; there are four-lane highways linking

Barcelona, Madrid and Seville but great swathes of these are already near saturation point.

The Finance Ministry has said although the budget deficit will be cut, investment in infrastructure will go up by as much as 5 per cent a year until 1997. Unfortunately, the increase is to a large extent dependent on EC structural funds, the amounts of which are in doubt, and on private sector financing which so far has not been forthcoming. The construction sector is keeping its fingers crossed.



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EUROPEAN BUILDING AND CONSTRUCTION 5

Richard Tomkins on prospects of completing Europe's train network

The still-missing links

EUROPE'S high-speed rail network represents a potential goldmine for construction and engineering companies. The project is colossal: at the last count, it is estimated to involve spending of more than £100bn to the year 2010.

But the project's scale raises questions about how realistic it is. While parts of the network are already in place or under construction, geographical, technological and financial considerations stand in the way of its completion.

The outline plan for the high-speed network was devised by an EC working group in 1990. Taking as its basis the high-speed rail projects already planned independently by member states, it was completed by pencilling in the missing cross-frontier links needed to join these disparate systems into a coherent whole.

On the face of it, construction of the network has got off to a strong start. The train a grand vide, or TGV, is well-established in France; the TGV Sud-Est between Paris and Lyons was completed in 1983.

In Germany, the first two lines of the InterCity Express high-speed network opened last year, between Hanover and Würzburg and between Mannheim and Stuttgart; in Spain, the first line of the planned Alta Velocidad Española high-speed system opened between

Madrid and Seville in April.

Other lines are under construction. France is building the TGV Nord from Paris to Calais, a TGV interconnection by-passing Paris, and the TGV Rhône-Alpes from Lyon to Valence. Germany is extending its high-speed lines northwards to Hamburg and southwards to Munich. Italy is extending the Rome-Florence Direttissima northwards to Milan and southwards to Naples.

Yet, almost by definition, the high-speed rail lines that have

Almost by definition, the lines already built or commissioned are the most attractive

already been built or commissioned are the most attractive — either because they fulfil the greatest need or because they are the cheapest or easiest to construct. A number of factors could impede progress on subsequent projects.

One obvious obstacle is geography. Mountains and seas, for example, are extremely expensive to tunnel under: witness the £8bn-plus bill for the Channel tunnel. And high-speed lines are highly unpopular when they pass through densely populated conurbations or areas of natural beauty, as France is beginning to discover

with its TGV extensions.

A second factor is finance. Even relatively straightforward high-speed lines are not cheap to build. The greater the geographical difficulties, the more the cost goes up. The planned high-speed link between London and the Channel tunnel, for example, just 69 miles long, is expected to cost more than £4bn because of the need to make it environmentally acceptable to the people of Kent.

A third factor is the so-called frontier effect. Traffic flows tend to be higher within countries than between them, so while there may be a financial case for a high-speed line between two cities in the same country, the case for extending the same line over the border often does not stack up.

That said, there are commitments to building at least some of the lines needed to complete the European network.

France has adopted a TGV master plan paving the way for 18 projects involving 4,700km of new lines. These include a new TGV line from Paris to Calais via Amiens; an extension of the TGV Atlantique to Bordeaux and Toulouse; extensions of the TGV Sud-Est to the Spanish border and to Nice; and a new line, the TGV Est, from Paris to Strasbourg.

Germany faces pressure to build a high-speed line from

Hanover to Berlin following east-west unification, though there are no firm plans yet.

Britain has promised to build a line from London to the Channel tunnel, though there are still no indications as to who is to pay for it or when it will be built.

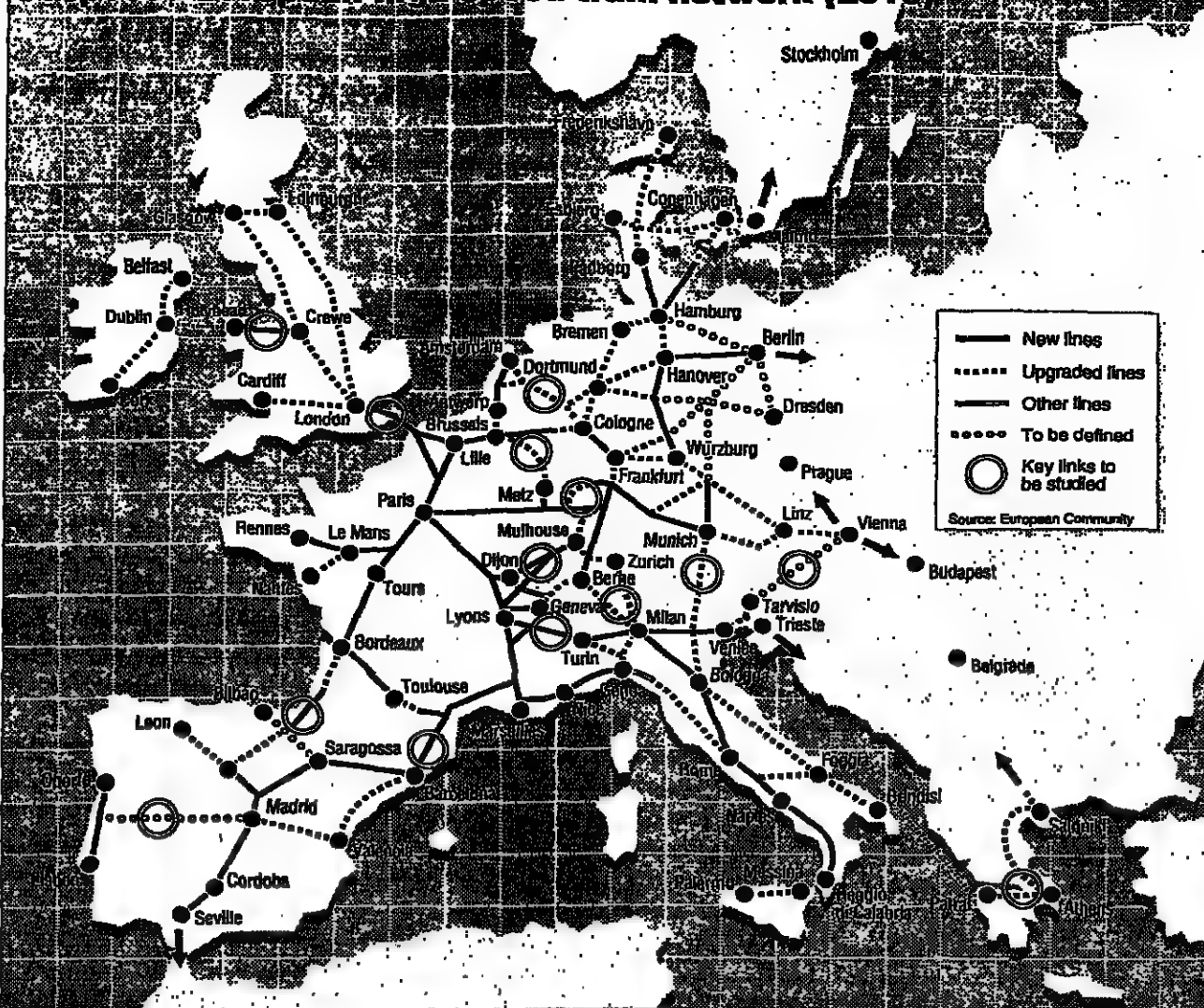
Belgium is to build a high-speed line linking Brussels with France's TGV Nord at Lille, and continuing beyond Brussels to Liège.

Italy is planning a high-speed line between Turin and Venice and a line from Milan to Genoa. It is also studying the feasibility of a line from Turin to Lyons in France, plugging into the TGV.

Spain may build a high-speed Madrid-Barcelona line, though no firm plans exist.

Europe, then, is looking at a considerable expansion of its high-speed rail network but it may not take place on quite the scale envisaged by the EC. Without an agreement to set up a substantial EC transport infrastructure fund, most of the so-called missing links in the network seem destined to remain exactly that: missing. And while large, thinly-populated countries (eg France) may find the benefits of high-speed lines outweigh the costs, smaller and more densely populated ones (eg Britain) may prefer to upgrade existing lines.

Proposed European high-speed train network (2010)



Barbara Casassus on the French outlook

In the doldrums

Barbara Casassus, a French economist, says an FNB official.

The outlook is not quite as grim for public works. The public works federation, or Fédération Nationale des Travaux Publics, was very worried when the 1992 public spending programme was unveiled in December. But since then, an extra FF1.2bn has been allocated for new motorways, increasing the networks by a total of 250 kilometres.

A further FF1bn has been earmarked for other infrastructure and public transport, which the government has promised

will not be taken out of other allocations. Even so, the federation is betting only on 2.5 per cent growth in turnover in 1992, down from 3 per cent in 1991.

Now that France has reached the bottom of the economic cycle, analysts expect the restructuring of the sector to accelerate for building works. It has been slow so far. The five "majors" accounted for 11 per cent of building in 1990, only 1.4 per cent more than in 1987.

Concentration has come mainly through the takeover by large groups of medium-

sized rather than small enterprises, and is predicted to continue that way. "Large groups sub-contract work to small local firms in order to keep their payroll down, which is their biggest operating cost," says one analyst. "Medium firms could be in difficulty in the months ahead, and may be bought up cheaply by the majors."

The public works sector, which is more capital-intensive, is more concentrated. In 1990, the majors held 26 per cent of the market and small firms only 5 per cent. About 120 companies with more than 200 employees accounted for the rest.

An exception to the pattern of medium-sized firms being the takeover targets was the FF4.5bn takeover of Société Auxiliaire d'Entreprises (SAE) by competitor Fougère in the spring. This created a group with a turnover of about FF21bn in building and construction last year,

ranking Groupe SAE-Fougère fourth among the majors after Bouygues and Société Générale d'Entreprises (SGE), a subsidiary of Compagnie Générale des Eaux, and Lyonnaise des Eaux-Dumex.

The financial position of most of the large groups is healthier than 10 years ago, even though their net margin ranges from 1 per cent for SAE-Batignolles to only 3 per cent for Fougère. SAE-Batignolles reported a net loss of FF950m last year and analysts insist it will have to form a link-up sooner or later. Bouygues has attempted a takeover more than once, but the price has never been right.

Brightening the picture for the "majors" is the fact that most are active internationally. Orders are expanding overseas and margins are more generous than on the domestic market, particularly in eastern Europe, Spain and Asia.

Robert Taylor on the problems of the Nordic region's industry

The bubble that burst

THE PRESENT recession affecting most of the Nordic region's construction sector looks set to continue until the middle of the 1990s. Indeed, over the next two years a drop of 30 per cent is expected in Swedish residential property investment, the severest decline the country has seen in its building industry since before the Second World War.

It marks quite a contrast with the booming 1980s when construction and real estate were the focus for a speculative but lengthy expansion, based on rocketing property values and frenetic demand across Scandinavia.

The construction bubble really burst in the fourth quarter of 1990 but its negative after-effects continue to blight much of the region in the shape of bad loans to most of the commercial banks, spiralling bankruptcies of many small and medium-sized real estate and property companies and a sharp contraction in new construction projects.

Mr Lars-Ove Hakansson, chief executive of Skanska, the largest construction and real estate company in the Nordic area, warned his shareholders this spring that the Swedish building industry would have to live with the adverse market

situation for another three to four years, just as Norway took a long time to adjust after its economic crisis in 1988. To make matters worse, he also suggested the Swedish real estate market faced five more difficult years ahead.

His pessimism is shared by the Swedish government. Its recently published medium-term economic survey forecast

a sharp slump in residential construction investment of -18.5 per cent this year and a further -18.5 per cent in 1993.

The trouble is that the construction industry is not just suffering from a cyclical downturn but the consequences of an underlying structural change that is transforming the property market across the Nordic region. All the governments plan to reduce the high levels of subsidisation that have distorted the building sector as it adapts to the 19-nation European Economic Area that comes into force next January.

The Swedish government in particular is seeking to free the property sector from controls that have tended to distort free market forces. The reform of

corporate taxation is making mortgage financing of property investment less advantageous while a sharp rise in value-added tax on housing transactions from 12.87 to 25 per cent has added to cost burdens.

An investment grant specifically aimed at construction has been abolished. The overdue deregulation of the Nordic region's over-protected construction industry seems unlikely to stimulate any increase in business activity. On the contrary, it looks as though it could dampen already weak demand still further. Moreover, under the agreed rules of the EEA the Nordic countries will have to accept the principle of open tendering for construction con-

tracts and this looks set to increase competition at a time when there are limited business opportunities.

However, if the recession in housing and commercial real estate persists until 1994-1995, that does not mean there will be a complete stagnation in the Nordic construction industry. Even governments that are determined to maintain tight

control over public expenditure programmes seem prepared to encourage selective investment projects to improve the infrastructure, most notably through the construction of better roads and railways.

The scheme to build a road and rail bridge over the waters of the Öresund between Denmark and Sweden should provide plenty of opportunities for Nordic companies in the next few years just as the Great Belt construction scheme in Denmark which is expected to link Zealand with the island of Funen by 1997 has given a boost to several western European building contractors, not

just from the Nordic region. But as Mr Hakansson warned recently, a doubling of transportation infrastructure investments to SKr8-10bn a year will "only offset a small fraction of the shortfall in housing and commercial real estate construction".

However, for Skanska and other large companies the recession has provided the opportunity to become more cost-conscious, to strengthen marketing operations and improve efficiency. When the upturn comes, they will be in a better position to compete successfully in what will be a more global and open market.

GRUPPO IRITECNA

IRITECNA CONTRACT IN DENMARK

CMF Sud, a company in the Iritecna Group, has acquired an important and significant contract on the European market for the realisation of the longest suspension bridge in the world: the East Bridge, which will link the Sprogø and Zealand islands in Denmark.

The whole infrastructure, consisting of two viaducts and a steel suspension bridge supported by towers in reinforced concrete, will be completed by 1997. The bridge is meant for road traffic, having two carriageways each with two lanes and an emergency lane.

The central span, measuring 1624 metres, makes the East Bridge the longest of this kind in the world. The whole structure will reach a total length of 6.8 km.

The contract is worth around 570 billion lira. The client is Storebaelt, a public ad hoc company set up by the Danish government. CMF Sud will build the steel sections of the infrastructure, while the civil work will be realised by a German group. The work will be carried out in compliance with Danish regulations, especially according to the rules of Quality Assurance and Quality Control.

Considerable spin-offs in Italy and Denmark are predicted for the supply of raw materials (sheet steel, steel sections, pipes and cables) to be used for the structural parts of the bridge and viaducts (around 75,000 tons).

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READY FOR ANY CHALLENGE

Copy-cat contract war breaks out in New York

By Barbara Durr in Chicago

THE NEW YORK COMMODITY EXCHANGE (COMEX) has begun a copy-cat contract war with the New York Mercantile Exchange (NYMEX) in a drive to raise its trading volume. It has applied to the Commodity Futures Trading Commission, the US futures industry regulator, to list platinum futures and options and palladium futures, products already traded at NYMEX.

"These contracts will complement our existing metals products," said Ms Donna Redel, COMEX's new chairman. The exchange said that industry users had asked to have the contracts listed, in part because traders would benefit from being able to cross-margin platinum and palladium with its gold and silver contracts. It plans to launch the new products immediately after receiving CFTC approval.

The move follows the news early this month that COMEX intended to list a jet fuel futures contract that would compete with NYMEX's heating oil futures, which are at present used to hedge jet fuel physical trading. COMEX expects to make a formal application to the CFTC to list the contract before the end of 1992.

Earlier this year, COMEX won CFTC approval for a Dubai sour crude contract, although a sour crude contract began trading at NYMEX in February.

The contract for platinum - the more important of the two metals - to be listed at COMEX will be for 50 ounces of 99.95 per cent purity, specifications that match the current NYMEX contract. But NYMEX, which has traded platinum since 1986, decided some 18 months ago that it would change its contract's specifications to correspond more closely to international standards, which now require 99.95 per cent purity.

NYMEX's October 1992 platinum contract, now holding 6,137 lots of 50 troy ounces in open interest, and those beyond that date are already for the new purity standard.

Mr Lou Guttman, NYMEX chairman, said: "As an exchange, we have to do what international standards demand, or else our contract becomes antiquated."

He conceded that some in the industry might have been peeved at the change in contract specification, but he believed that his exchange's platinum contract would continue to enjoy deeper liquidity and that the trade would always go where the liquidity

was. Mr Guttman predicted dismissively that COMEX's new platinum futures "will join the others on the shelf of failed contracts at COMEX."

In recent years COMEX has failed to extend its range of active contracts beyond copper, silver and gold. According to figures from the Futures Industry Association, trading on COMEX fell 26 per cent between 1987 and 1991, from 17.9m lots to 12.6m, while trading at NYMEX grew by 53 per cent, from 22.5m to 34.4m, over the same time period.

Ms Redel, aggressively trying to achieve a turn-around in her exchange's fortunes, is casting a wide net for new products. She has even suggested a new financial future on the Euronext 100, an equity index that trades at the European Options Exchange in Amsterdam. But in the process, Ms Redel seems to be willing to step deliberately on NYMEX's toes.

It will permeate relations between the two exchanges. Their on-again-off-again merger talks have been on and off for years, and a decision early this year by NYMEX to withdraw from a joint project with one of the New York exchanges, including COMEX, to build a new trading floor embittered relations further.

Belgian sale unsettles gold market

By David Blackwell

NEWS THAT THE BELGIAN NATIONAL BANK has sold 202 tonnes of gold worth about \$200m unsettled the London market yesterday.

"It is very difficult in such quiet times to pitch one's tent and say yes, it's bullish, or yes, it's bearish," one trader said.

The Belgian deal was completed two weeks ago. After this morning's announcement the gold price moved ahead on relief that such a large sale had been completed without disrupting the market. But fears of possible copy-cat sales from other central banks checked the advance. Gold closed at \$345.35 a troy ounce, up 20 cents on the day.

Mr Andy Smith, precious metals analyst with Union Bank of Switzerland, said the gold market had to ponder two variables: how much of the gold had come on to the spot market and over what period? The sale also raised questions about the role of central banks in the gold market.

Ms Rhonda O'Connell, analyst with Williams de Broer, pointed out that when the Belgians sold 187 tonnes of gold in March 1989 most of the trade had been done with other central banks and away from the spot market.

Mr Willem Bleisli of Carr Kitchin & Aitken said that the Belgian move had left about 50 per cent of the bank's total reserves in gold - which took it into line with its EC neighbours. It would be logical to see a shift of gold from the central banks of Europe and the developed countries to central banks of the developing countries in the far East, where gold reserves are low, he suggested.

There is speculation in the market over whether gold will be counted as reserves when a new European Central Bank is opened.

"If you are in any doubt that gold will be allowable, then you move it now," said one observer.

Another pointed out that while the sale had been handled sensitively, it was nevertheless a sale at low prices. "Who's next?" he asked.

The Belgian sale will yield about \$250m (£150m) of annual interest income for the treasury, according to a senior official, reports Reuters from Brussels.

Extra revenue would be welcome for the Belgian state, struggling to reduce its budget deficit and saddled with a crippling \$37.6 billion debt, the highest in the European Community in terms of gross domestic product.

Mixed feelings on Indonesian oil

Industry executives are down in the mouth, writes William Keeling

THE INDONESIAN oil sector is proving the adage that there are two sides to every story. Government officials are celebrating a record number of production sharing contracts signed with foreign oil companies. But at the same time the executives of the latter are looking increasingly down in the mouth about the industry's future in Indonesia.

"Something doesn't add up," explained one company executive, head in hands.

The figures compiled by government give the industry a rosy hue. Government officials say 22 production sharing contracts were signed last year, and a total of 61 in the last four years, more than during the most active periods of exploration in the 1960s and early 1980s.

There have also been higher levels of seismic work: 64,000 sq km in 1990, more than double the average for the past 15 years. Such a level has not been reached since the initial broad seismic mapping of Indonesia between 1969-1972.

With only 36 of Indonesia's 60 known basins so far explored, the country would appear to hold great potential. Talk to some of the oil companies, however, and a very different picture emerges.

The last block to have reserves discovered in excess of 100m barrels was awarded in 1971, officials say. Production

is dominated by seven large fields, some of which are reaching maturity. The majority of Indonesia's fields, however, are small and discoveries have not kept pace with demand.

Oil executives say the level of drilling relative to the number of new contracts of work is low. In 1990 actual exploration and development expenditure of \$1.26bn fell short of budgeted levels by \$90m. The companies believe last year also saw an expenditure shortfall and that the government's target of 17% exploration wells a year, necessary for maintaining existing proven reserves, estimated at 10.9bn barrels, is not being met.

Government officials say new technology may boost recoverable reserves and estimate that there are 20m barrels with "proven ultimate recovery".

However, neither enhanced recovery nor the assigning of new contract areas are expected to arrest a decline in output. The World Bank estimates current production (including condensate) at 1.6m b/d, but expects this to decline to 1.5m b/d by the turn of the century.

With domestic consumption of about 500,000 b/d last year and increasing by at least 6 per cent a year, government officials concede that Indonesia will become a net importer of oil by 2005 and will have to leave the Organisation of Petroleum Exporting Coun-

tries. Some industry officials believe the day of reckoning may be as early as 1997.

Some of the problems facing the industry are intractable. The bulk of Indonesia's proven reserves lie in the western half of the archipelago where past exploration has been most intense. The future lies in the pioneer country of the Timor Gap and the seas and islands between Sulawesi and Irian Jaya.

The geological structure of the area, however, is immensely complex - twisted rock formations crushed between two converging continental shelves. Potential fields are likely to be small and, even with three-dimensional seismic technology, the search for them will be a hit-and-miss affair. On the land mass of Irian Jaya, building pipelines from the interior to enable the export of production would be hugely expensive.

Oil companies admit that tapping the oil fields of countries of the former Soviet Union is likely to divert funds from Indonesia for the immediate future. The problem is compounded, they say, by an industry-wide shortage of funds.

"Indonesia is getting a smaller share of a diminishing pool of finance," one executive explained. The situation is worsened, he says, by contract terms which, particularly in relation to tax structure, are

amongst the toughest in the world.

Government officials discount many of the oil companies' complaints as simple posturing. They say conditions for deep water and pioneer areas have been relaxed and point to the high number of new contracts as evidence of the oil companies' commitment to Indonesia.

The contracts, however, may be at the heart of the industry's problems. Whilst their conditions remain tough, the contracts have committed companies to relatively low levels of exploration; under the 45 contracts signed between 1987-1990, companies agreed to spend \$2.8bn over a six to ten year period. The contracts have opened up new areas for exploration, but the financial commitments of the companies are unlikely to be adequate for this task.

The contracts will prove difficult to renegotiate should the government wish to boost exploration and it may rue the decision to sign so many contracts so quickly.

Company executives admit, however, that the government may yet get the last laugh. "The oil companies have proven to be poor negotiators in the past. The Indonesians have tended to get the better of us," one executive admitted. It may only take one big discovery to prove the government right.

South Africa may abolish agricultural marketing boards

By Philip Gawth in Johannesburg

SOUTH AFRICAN agriculture could be faced with a radical overhaul of its marketing structures following the government's decision to appoint an independent committee to investigate whether agricultural control boards should be abolished.

The decision follows in the wake of a report published by the Board on Tariffs and Trade into food prices, which recommends that the statutory powers of control boards be abolished, with farmers free to market their produce as they choose.

Agricultural control boards - there are 22 in the country - suffered a further setback earlier this month when the Cape Supreme Court ruled null and void charges levied by the Milk Board on farmers. All marketing boards finance their activities by levying producers.

The BTT report arose out of concern at the very high level of food price inflation. Public criticism rose to a crescendo earlier this year when the Can-

tral Statistical Service published figures suggesting that food price inflation was running at 39 per cent per annum. The board focused on the divergence between producer and consumer prices in respect of six basic food sectors - red meat, maize, dairy, vegetables, broiler chickens and wheat - which averaged 5.1 per cent during the period 1980-91.

The report concluded that control board schemes contributed 1.5 per cent of the 5.1 per cent discrepancy. One of its recommendations for breaking the inflationary spiral was to scrap control boards, which it felt were contributing to a high degree of concentration in the intermediate levels of the food supply chain.

The government has clearly had its hand forced in announcing the investigation. Although the trend in agricultural policy in recent years has been towards allowing greater play to market forces, Mr Krasel van Niekirk, the minister of agriculture, showed little enthusiasm in a recent interview for grasping the nettle of the control boards.

He noted, correctly, that agriculture was in a transition phase from controls to free markets, but he was clear that the initiative for reform should come from farmers not the government.

"If government is too prescriptive you run the risk of failure. It comes back to you. The farmers must decide. I'm not willing to decide," said Mr van Niekirk. The BTT report, and the attendant clamour about food prices, forced him to change his mind.

Although there are exceptions, like deciduous fruit and sugar control boards in many industries have become alienated from the producers they purport to represent. They are seen in the public eye not so much as representatives of agriculture as a self-serving and unnecessary layer of bureaucracy.

The boards are not going to give up without a fight. Mr Fanie van Rensburg, chairman of the Agricultural Marketing Boards Co-ordinating Committee, has criticised the BTT report as prejudiced and said it would be strongly contested.

Cuban industry goes international

Ian Rutledge and Phil Wright on the country's first licensing round

CUBA WILL offer eight or nine blocks for production-sharing contracts with foreign oil companies later this year, and a British company, Simon Robertson (previously Robertson Research and now part of the Stockport-based Simon Group) has won the contract to organise the country's first licensing round. An official announcement of Cuba's new oil policy will come on Sunday and presentations, probably involving senior Cuban industry ministers, will be held in London and Calgary in November and December.

A number of blocks have already been allocated to foreign companies in separate bilateral deals. From next August a French consortium involving Total and Compagnie Europ  enne des P  troles, which signed a contract with the Cubans in December 1990, will begin drilling in its northern oil zone blocks. Brazil's Petrobras, Canada's Northwest Energy, and the Swedish com-

pany, Torus, have also been allocated blocks.

The northern oil zone is more than 1,000 km (600 miles) long and between 80 and 100 km deep, running parallel to Cuba's northern coast and extending into the promising and largely unexplored offshore area. It already accounts for most of the country's domestic production (16,000 barrels of heavy crude and 1.5m cu ft of gas a day).

The southern oil zone consists of about 60,000 sq km, occupies practically the whole of the offshore area and extends to adjacent offshore areas to the south.

Cuba's state oil company, Cupet, was formed out of the amalgamation last December of the upstream enterprise Union de Pet  roles with the downstream company Cuba Pet  roles. At the same time a specialist subsidiary called Commercial Cupet has been established to concentrate on dealing with foreign partners.

The country previously

depended for 95 per cent of its oil needs on the Soviet Union, which gave it its oil industry a distinctly downstream character. A fourth refinery built by Cuban engineers according to Soviet specifications has only recently been completed, giving the country a total refining capacity of 11m tonnes a year. But there is a strong impression that the upstream segment was tending to lag behind.

The main producing fields, Boca de Jaramo and Varadero, were discovered in 1969 and 1971 respectively. While their very heavy, high sulphur crude has swollen Cuba's production considerably since then, subsequent discoveries proved disappointing until 1989 when a small new field, Pina, was discovered in the central part of the southern oil zone.

It has 30m barrels of proved reserves of medium gravity, medium sulphur oil, compared with the more than 80m barrels of proved reserves in Boca de Jaramo and Varadero. Cuba

has 30 distinct oil basins with in situ reserves estimated at 1,100m barrels.

Ironically Cuba is now competing with its old ally the former Soviet Union for foreign capital investment. Russia and the other states of the CIS certainly have the oil but to date foreign companies have not always found it easy to negotiate contracts in what is often an unpredictable and turbulent political environment.

In contrast, evidence from recent visitors suggests that Cuba's commercial relations with foreign companies are handled in a brisk and business-like manner. Moreover, the country has firmly established foreign investment laws dating from 1982, which have already proved effective in attracting Spanish capital into its rapidly growing tourist industry.

Asked if they would welcome US oil companies into Cuba, the unanimous answer received from Cuban officials is "yes - if their Government would let them come".

MARKET REPORT

The premium for LME cash ZINC over three-month metal closed at \$96 a tonne compared with \$138.25 on Tuesday. At one stage it narrowed to around \$70 under the pressure of continued liquidation of nearby positions, prompted by the Monday announcement of limits on the daily backwash. The market is starting to reflect its unspectacular demand levels and high stocks after three months of being supported by the developing June squeeze, dealers said. LME COPPER closed at the highest level for seven months, encouraged by an early break through previous resistance levels. Traders said

an absence of recent Chinese selling on rises by three-month copper to around \$2,200 a tonne prompted early short covering that touched off buy stops. COMEX copper futures were extending gains at midday. New York raw SUGAR prices were sharply ahead at midday on strong trade house buying, constructive chart factors and continuing sentiment that nearby supplies are tight. LONDON COCOA managed by the close to claw back some of the ground lost earlier, when trade selling sent the second position contract tumbling to a fresh 16 1/2-year low of \$253 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Grains (all per barrel FOB) + or -

Dubai \$150-155 +0.05

Brent Blend (diesel) \$150-155 +0.05

Brent Blend (Avg) \$150-155 +0.05

WTI (1st cut) \$150-155 +0.05

WTI (2nd cut) \$150-155 +0.05

WTI (3rd cut) \$150-155 +0.05

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COCOA - London POKE

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WORLD COMMODITIES PRICES

COCOA - London POKE

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INVESTMENT TRUSTS

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FT MANAGED FUNDS SERVICE

Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

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FOREIGN EXCHANGES

Overt intervention by Italians

EUROPEAN currencies had a turbulent afternoon on the foreign exchanges yesterday after the Bank of Italy intervened heavily in the open market to support the lira, writes James Bille.

Although opinion polls suggest that the Irish people will vote "Yes" to the Maastricht Treaty on European union today, traders have been noticeably edgy about the overall prospects for European Monetary Union (EMU) since the Danes voted "No" in their referendum. Yesterday, the lira fell victim to uncertainty yet again: the failure of the Maastricht accord would reduce the incentive for this politically muddled country to reduce its massive budget deficit.

Goldman Sachs, the US investment bank, fanned the flames over the Italian currency yesterday. The bank said Italy's budget deficit could lead to a devaluation of up to 8 per cent. Heavy lira selling ensued, the currency dipped

below L768 to the D-Mark for the first time in six months and ended firmly at the bottom of the grid in the European Monetary System.

The Italian central bank responded with its heaviest intervention in the market this month, selling D-Marks for lire. A Bank of Italy official was forced to confirm publicly that the speculation about a devaluation was "nonsense". But at L767.50 to the D-Mark, the currency was trading close to the intervention point, suggesting that the Italians' efforts amounted to little more than a holding operation.

By contrast, sterling appreciated sharply against the D-Mark after Mr Norman Lamont, the UK chancellor, underlined Britain's commitment to European economic convergence. He also said the pound could enter the narrow bands of the EMS when the time was right.

There was nothing new in Mr Lamont's remarks, but the

market's directionless mood made his statement seem important. Sterling rose nearly a penny following the statement, peaking at DM2.9264 before closing at DM2.9264. A mixed batch of UK indicators had little effect on the pound: May's retail sales were poorer than expected, increasing by 0.3 per cent, and May's industrial production figures were only marginally better than predicted, rising 0.7 per cent.

Sterling was helped by a weaker tone to the D-Mark, which lost ground to the US dollar. There was nothing concrete behind the D-Mark's strength. A dealer said that today's holiday in Germany had led to short-term dollar buying; another said that an Irish "Yes" to Maastricht would weaken the D-Mark as EMU tensions eased.

The dealer climbed more than a penny against the D-Mark to finish at DM1.5780 in Europe. In New York it slipped back to a DM1.5745 close.

£ IN NEW YORK

£/US\$	1992	1991	1990
1 month	1.663-1.673	1.663-1.663	1.663-1.663
3 months	1.663-1.663	1.663-1.663	1.663-1.663
6 months	1.663-1.663	1.663-1.663	1.663-1.663
12 months	1.663-1.663	1.663-1.663	1.663-1.663

Forward premiums and discounts apply to the US dollar

STERLING INDEX

Index	1992	1991	1990
100	100.00	100.00	100.00
101	101.00	101.00	101.00
102	102.00	102.00	102.00
103	103.00	103.00	103.00
104	104.00	104.00	104.00
105	105.00	105.00	105.00
106	106.00	106.00	106.00
107	107.00	107.00	107.00
108	108.00	108.00	108.00
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111	111.00	111.00	111.00
112	112.00	112.00	112.00
113	113.00	113.00	113.00
114	114.00	114.00	114.00
115	115.00	115.00	115.00
116	116.00	116.00	116.00
117	117.00	117.00	117.00
118	118.00	118.00	118.00
119	119.00	119.00	119.00
120	120.00	120.00	120.00

Source: Bank of England, London. Average 1985-1990 = 100. Figures are for June 18.

CURRENCY MOVEMENTS

CURRENCY MOVEMENTS			
Jan 17	Rate of Exchange Index	Marjan Capacity Change %	
Germany	93.0	-19.0	
\$ Dollar	82.3	-1.2	
Switzerland	102.7	-2.7	
American Schilling	110.2	+12.5	
Belgian Franc	111.7	-	
Dutch Kruze	109.9	-19.9	
Mark	110.0	+29.4	
British Pound	107.3	-14.6	
French Franc	114.8	+14.6	
Italian Lira	98.3	-11.5	
Spanish Ptas.	90.9	-20.3	

Source: Bank of England, London. Average 1985-1990 = 100. Figures are for June 18.

CURRENCY RATES

CURRENCY RATES			
	Bank's rate %	Special Offering Rights	European Currency Unit
Jan 17			
Berling	1.50	0.7613434	0.7617771
5 Dollar	1.50	1.41180	1.40994
10 Dollar	1.50	2.82360	2.81988
100 Dollar	1.50	28.23600	28.19880
1000 Dollar	1.50	282.36000	281.98800
10000 Dollar	1.50	2823.60000	2819.88000
100000 Dollar	1.50	28236.00000	28198.80000
1000000 Dollar	1.50	282360.00000	281988.00000
10000000 Dollar	1.50	2823600.00000	2819880.00000
100000000 Dollar	1.50	28236000.00000	28198800.00000
1000000000 Dollar	1.50	282360000.00000	281988000.00000
10000000000 Dollar	1.50	2823600000.00000	2819880000.00000
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10000000000000000000 Dollar	1.50	2823600000000000000.00000	2819880000000000000.00000
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100 Dollar	1.50	28236000.00000	28198800.00000
1000 Dollar	1.50	2823600.00000	281988000.00000
100 Dollar	1.50	28236000.00000	28198800.00000
1000 Dollar	1.50	2823600.00000	28198800

Source: Bank of England, London. Average 1985-1990 = 100. Figures are for June 18.

OTHER CURRENCIES

	Jan 17	£	\$
Argentina	1.6395	1.0425	0.9900
Australia	2.4646	2.4675	1.3265
Canada	2.0935	3.0998	1.1729
China	7.9460	1.0000	1.0000
Direct	35.2600	3.0000	1.0000
Indones. Kong.	14.3140	14.3780	1.0000
Iran	26.5000	1.0000	1.0000
Japan	1.4140	1.0000	1.0000
Malaysia	1.6395	1.0425	0.9900
Malaysia	1.6395	1.0425	0.9900
Malaysia	1.6395	1.0425	0.9900
Malaysia	1.6395	1.0425	0.9900
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Source: Bank of England, London. Average 1985-1990 = 100. Figures are for June 18.

EMS EUROPEAN CURRENCY UNIT RATES

Jan

CAM

CANADA

Index	Stock	High	Low	Close	Chng	Index	Stock	High	Low	Close	Chng	Index	Stock	High	Low	Close	Chng
TORONTO																	
4:00 pm prices June 17																	
Quotations in cents unless noted																	
7180	Alcan Ltd	51 1/2	51	51	-	3520	Bank of Montreal	34 1/2	34	34	-	7280	Imperial Oil	22 1/2	22 1/2	22 1/2	-
4890	Agropur	35 1/2	35	35	-	2200	Canaccord	25 1/2	25	25	-	4900	Lawson	17 1/2	17 1/2	17 1/2	-
4890	Air Cdn	47 1/2	47 1/2	47 1/2	-	3570	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
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4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
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4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
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4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
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4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
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4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
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4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130	127	127	-	5000	Leclerc	11 1/2	11 1/2	11 1/2	-
4890	Alcan Ltd	51 1/2	51 1/2	51 1/2	-	3580	Canwest	130									

4:00 pm prices June 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page

NASDAQ NATIONAL MARKET[illegible][illegible][illegible]

INDIA 1992

The FT proposes to publish this survey on **June 26 1992**. This survey will be read in 160 countries worldwide, including India where it will be widely distributed. In Europe 92% of the professional investment community regularly read the FT. If you want to reach this important audience, call

Louise Hunter
071 873 3238
or Fax 071 873 3079

*Data source: Professional
Investment Community 1991
(MPG Int)*

ET SURVEYS

FLORIDA

AMERICA

Optimistic Fed report falls on stony ground

Wall Street

US STOCK markets continued their sharp decline yesterday after a Federal Reserve report that the economy continued to improve at a modest pace dampened hopes of a further cut in interest rates, writes Patrick Harrington in New York.

At the close the Dow Jones Industrial Average was 4173.7 lower at 3,287.76. The more broadly based Standard & Poor's 500 fell 6.04 to 402.28, while the American SE composite lost 6.38 to 376.74 and the Nasdaq composite dropped 10.83 to 553.24. Turnover on the New York SE was fairly heavy at 328m shares.

Prices opened weaker in the wake of the steep fall in Tokyo to a 5 1/2-year low and on concern about the fragility of the US markets. The selling, however, did not start in earnest until after midday, when the Fed's "Beige Book" report on business conditions across the US was released.

The book indicated that the economic recovery was continuing, and that inflationary pressures in the economy were light. Investors, however, chose to sell on the report, probably because they believed the news of improving economic conditions further reduced the chances of another interest rate cut. A late burst of program selling added to the

São Paulo's Bovespa index recovered an early 4.4 per cent drop to stand 2.1 per cent down at 21,814 at noon yesterday, BVA Hinchberger writes.

On Tuesday the index reached January levels after a 7.4 per cent drop, the steepest since last October. Telebras, which was 26.4 per cent below January levels in dollar terms by Tuesday's close, lost a further 2.1 per cent.

In Mexico, the stock exchange index was 5.6 per cent lower at mid-morning. Telcel L shares, heavily sold in New York, were off 450 pesos or 5.9 per cent.

downward pressure, sending the Dow tumbling past its support level of 3,300.

The losses were spread throughout blue chip issues. General Motors fell 3 1/2 to \$41.75, General Electric \$1 to \$76.75, Westinghouse \$4 to \$17.75, and Coca-Cola \$1 1/4 to \$39.75. Coca-Cola was also affected by the report that the soft drinks group had told analysts that second-quarter estimates of 42 to 44 cents a share were appropriate.

Telefonos de Mexico shares, heavily bought by US investors in the wake of the group's privatisation last year, continued to suffer, falling a further 3 1/2 to \$49.

Upjohn declined 1 1/4 to \$32 1/2 in heavy trading after the

drugs group said it did not expect second-quarter net income to exceed the 70 cents a share earned a year ago. The news depressed some other drug stocks, with Pfizer dipping 1 1/4 to \$67.75, Merck 1 1/4 to \$47.75, Glaxo ADRs \$4 to \$25.75 and Schering-Plough 1 1/4 to \$50.75.

AMR, parent of American Airlines, eased 1/4 to \$62 1/2 on news that it will probably report a second-quarter loss because of higher fuel prices and the recent air fares war.

Medical Core International dropped 3/4 to \$49 1/2 after agreeing to merge with Critical Care America.

Canada

THE Toronto market mirrored the Wall Street weakness, the TSE 300 composite index finishing down 39.1 at 3,388.25 as declines outpaced advances by 347 to 231 after substantial volume of 30.2m shares valued at \$1.1bn.

Traders noted that the selling was broad-based, touching every sector except the real estate and construction index.

Bramalea was a bright exception, rising 15 cents to C\$1.20 in spite of reporting a first-half loss of 22 cents per share, compared with a profit of 2 cents for the same period last year. The diversified real estate company also halted payments on its common dividends.

Casualties and rewards on eastern tack

Emerging markets divided along geographical lines last month, writes Antonia Sharpe

Casualties among the emerging markets in May were to be found in South and East Asia and in the eastern Mediterranean, while Latin America as a region held steady. The biggest falls came in India and Turkey, two long-term sufferers, although the Philippines produced the biggest gain on the month, reaching record levels following the largely peaceful presidential election.

Mr Michael Paterson, a director of Asia Equity, believes that Philippine equities are due for a period of consolidation after the recent rally, but that their long-term prospects are favourable. "The market is poised to go higher," he says. There is considerable excitement in the oil sector following the recent discovery by Royal Dutch and Occidental in the Malampaya offshoot. The discovery is expected to make a considerable contribution to the country's energy requirements. First Philippine Holdings is expected to buy into the Royal Dutch/Occidental joint venture.

Increased political confidence following the victory of

Mr Fidel Ramos in the presidential race, as well as an improving economic performance - merchandise imports, a leading economic indicator, jumped 82 per cent in the first quarter of this year compared with the year-ago period - should attract foreign investors back to the Philippines. News yesterday that the capital's two stock exchanges had agreed to merge is also seen as a positive move.

Political uncertainty, on the other hand, has upset the Athens stock market, which dropped 11 per cent in dollar terms last month. Having reached a 1992 peak of 1,009 in early February, the general index has since fallen to around 800 as individual investors, troubled by Yugoslavia's claim on Macedonia, switched into government bonds, which are tax free.

Mr Stuart Harley, part of the Greek team at Schroder Securities, says the ill-health of the president, Mr Constantine Karamanlis, is compounding the country's political unease. The government's narrow majority in parliament, which traditionally elects the coun-

IPC EMERGING MARKETS PRICE INDICES						
Market	No. of stocks	May 30 1992	% Change over month	% Change on Dec '91	Local currency terms May 30 1992	% Change over month
Latin America						
Argentina	(25)	1,634.74	+6.9	+32.0	93,078,615	+6.8
Brazil	(69)	153.26	-3.2	+46.1	133,605,587	+15.3
Chile	(35)	2,010.63	+0.0	+30.4	5,339.15	+0.3
Colombia	(20)	900.33	+8.0	+11.7	5,917.06	+7.0
Mexico	(96)	1,771.18	+1.1	+22.2	28,460.94	+2.1
Venezuela	(17)	534.10	-7.9	-21.0	4,531.08	-7.2
East Asia						
South Korea	(11)	220.40	-10.9	-22.9	208.76	-10.4
Philippines	(30)	1,830.73	+10.2	+27.4	2,362.60	+12.9
Taiwan, China	(70)	605.83	+0.7	-3.8	377.97	-0.6
South Asia						
India	(62)	360.79	-24.7	+31.1	818.36	-24.9
Indonesia*	(83)	87.12	+8.2	+20.4	76.85	+8.7
Malaysia	(62)	164.51	+0.5	+14.5	170.27	-0.2
Pakistan	(59)	289.99	+3.7	-8.2	471.23	+3.9
Thailand	(91)	316.61	-6.5	-0.1	297.24	-7.2
Europe/Middle East						
Greece	(32)	363.68	-11.0	-12.2	544.54	-11.5
Portugal	(27)	98.29	-0.4	+3.3	174.97	-0.5
Turkey	(30)	420.83	+1.1	-2.0	360.82	-3.0
Turkey*	(25)	40.50	-84.3	-98.4	373.89	-20.9

Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. *Nov 1989=100. *Dec 1989=100.

the president, is seen as a potential difficulty and could prompt a general election.

As a result, investors are ignoring the improving economic and corporate news, and the arrival of summer is likely to delay any recovery in the

stock market until the third or fourth quarter.

Good first-quarter results have also gone largely unnoticed in Turkey, which has suffered from a heavy fall in the lira and the dashing of the government's unrealistically high

expectations on inflation. The surprisingly good headline figure for April is unlikely to revive the market, since it was kept artificially low by the decision of state enterprises not to raise prices ahead of local elections.

ASIA PACIFIC

Nikkei drops to 5 1/2-year low on arbitrage selling

Tokyo

ARBITRAGE selling drove equities down sharply and left the Nikkei average at a closing 5 1/2-year low, writes Emilio Terazono in Tokyo.

The 226-issue index plunged 507.73 to 16,445.90, its lowest finish since November 1986. It opened at the day's high of 16,923.22 and reached the session's low of 16,444.70 near the close. Volume increased from 280m shares to 280m.

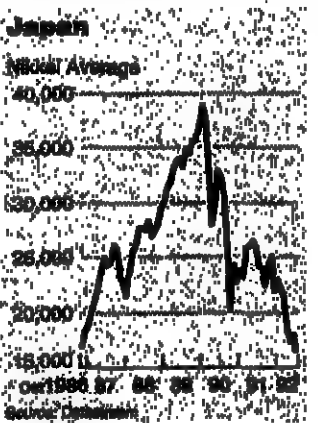
Buying by pension funds and investment trusts failed to absorb continued arbitrage selling. Declines overwhelmed advances by 908 to 83, with 106 issues unchanged. The Topix index of all first section stocks lost 30.80, or 2.3 per cent, to 1,276.81, while in London the FTSE/Nikkei 50 index receded 5.37 to 992.08.

Negative sentiment spread as constant buying by public pension funds failed to counter selling by dealers and retail and institutional investors. Stricter disclosure on futures and options trading by the Osaka stock exchange also discouraged dealers.

Indications by the Economic Planning Agency that it might be forced to revise downwards its 3.5 per cent growth target for the year to March 1993, in view of the continued sluggishness of the economy, also disrupted the market.

Rumours that Dai-ichi, a leading condominium maker, was in financial trouble, additionally depressed investors. Dai-ichi later denied the rumours.

Brokers were heavily sold on reports of operational losses



from April to June. A Japanese brokerage official said low volume and high costs, including summer bonus payments, have been hurting the firms. Nomura Securities weakened ¥100 to ¥1,300 and Daiwa Securities ¥45 to ¥810.

Steel, construction and real estate companies also fell on heavy selling. Traders said domestic institutions that bought the issues in 1988 and 1989 were liquidating holdings.

In Osaka, the OSE average shed 417.08 to 19,602.13 in volume of 20.1m shares.

Roundup

THE TOKYO market drop and Wall Street weakness dampened general sentiment in the Pacific Basin region yesterday.

The Manila and Makati stock markets announced that they were to merge. Mr Rosario Lopez, chairman of the Securities and Exchange Commission, said it might take six months to a year for the new market to begin operations.

HONG KONG gained 30

points in early trade before profit-taking drove the market back. The Hang Seng index closed just 7.09 up at 5,853.84. Turnover was HK\$2.5bn.

Banks were generally higher, with Bank of East Asia ahead 50 cents at HK\$32.50. In the property sector, Sun Hung Kai gained 50 cents to HK\$33.50.

AUSTRALIA slid further for the market's sixth consecutive fall. The All Ordinaries index finished 8.3 lower at 1,631.1 in turnover of A\$70m.

MANILA fell on profit-taking after the announcement that Mr Fidel Ramos had been confirmed as the new president. The composite index retreated 42.86 to 1,355.82 in combined turnover of 265m pesos.

BANGKOK gained ground in heavy volume. The SET index rose 6.55 to 768.28 in turnover of Bt10.34bn. Advances led declines by 141 to 77.

TAIWAN declined moderately in active trading and the weighted index relinquished 83.88 to 4,603.80 in turnover of T\$38.6bn.

SINGAPORE had selected blue chips stronger as shipyard issues lost ground on profit-taking. The Straits Times Industrial Index eased 2.44 to 1,517.44.

SEOUL's composite index lost 3.23 to 576.77 in turnover of Won396.5bn, while NEW ZEALAND slipped in spite of foreign interest in Carter Holt Harvey, which rose 5 cents to NZ\$2.65. The NZSE-50 index shed 2.67 to 1,530.80.

BOMBAY's brokers continued to refrain from trading. Meanwhile in DHAKA, the all-share index jumped 9.96, or 3.2 per cent, to 322.7 ahead of today's budget for Bangladesh.

EUROPE

Philips sinks by 18% after profits warning

A PROFITS warning from Philips sent tremors through the Dutch market, writes Our Markets Staff.

AMSTERDAM was shocked by Philips' announcement that it was making a sharp reduction in its 1993 earnings forecasts. A wave of sell orders wiped over 30 per cent off the stock before a close of F16.90, or 18 per cent lower at F13.10 in volume of 8m shares. The CBS Tendency index ended 1.4 lower at 127.4.

Analysts were taken aback, as many had attended a meeting with the electronics group last week during which the company made no hint that it was about to take this step, which it blamed on weakness in the consumer electronics division.

Yesterday most analysts cut their 1992 EPS forecasts from an average of F13.50 to around F12.70. However, some believe that the group will pay a dividend this year, estimated at between 50 and 75 cents. Polygram, in which Philips has an 80 per cent stake, shed F1.10 to F15.90.

MILAN recovered from a weak start to the new account on news that the socialist leader, Mr Bettino Craxi, had withdrawn his bid to become the next prime minister, paving the way for the formation of a government. The Comit index, which reached a 1992 low on Tuesday, rose 0.9 to 489.69 in turnover estimated at more than Tuesday's L104m.

The Craxi news prompted short-covering and lifted shares which had already been officially fixed. Buying more than made up for the payment of dividends by 56 companies yesterday, which took more than 1 per cent off the index.

Stet, whose placement was oversubscribed, closed L102

SOUTH AFRICA

JOHANNESBURG ended mixed to softer. The overall index closed 7 down at 3,700 and the industrial index was off 3 at 4,545. The gold index rose 4 to 1,152. Remgro rose 40 cents to R26.75 while Barlows was heavily traded.

FT-SE Eurotrack 100 - Jun 17						
Open	10.30am	11am	1pm	2pm	3pm	close
1153.75	1153.75	1159.56	1160.43	1160.46	1159.20	1158.90
Hourly changes						
Day's High 1160.77 Day's Low 1158.12						
Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10
1105.36	1169.75	1169.75	1167.40	1167.40	1162.62	1174.58

Source: Reuters 1000 (COTI).

down at L1,510 but rebounded to L1,569 later.

PARIS ended ahead of the Irish referendum on Maastricht and a further batch of negative company announcements made traders nervous. The CAC 40 index fell from a high of 1,915.94 to close 22.87 or 1.2 per cent lower at 1,908.64 in turnover of FF2.45bn.

Sues dropped FF1.80 to FF303.20 after the company said it would have to make another FF1.2bn in property

provisions this year. Synthelabo dropped FF1.27 or 1.1 per cent to FF1,020 in heavy volume of 149,550 shares after the company said clinical tests on its anti-anxiety drug, Alpidem, had been halted. Its parent, L'Oréal, lost FF2.1 to FF7.68.

FRANKFURT moved tentatively into today's Corpus Christi holiday and Friday's options expiry. Turnover fell from DM4.1bn to DM3.8bn as the FAZ index fell 2.71 to 708.39 at mid-session, and the DAX by

7.32 to 1,771.78 at the close.

Lufthansa, a perceived victim of the airline war, fell DM6 to DM128, approaching its low for the year. AEG, down DM9 to DM183.50, might have been carried down by Philips.

Hoesch, DM11 lower at DM277, reflected a general downturn in steel on talk of another broker's downgrade for the sector. Preussag fell DM4.20 to DM4.17 and Thyssen lost DM1.60 to DM24.50.

ZURICH saw Swissair bears fall SF7 to SF7.32 as the SMI index fell 8.3 to 1,973.1. After hours the airline said that it was cutting 400 jobs from its 8,000 administrative workforce.

BRUSSELS' Bel-30 index lost 12.41 or 1 per cent to 1,189.99. Barco, the electrical group, shed BF68 to BF1.312, reflecting the fall in Philips.

COPENHAGEN saw Balfin Holding drop DKr77 to DKr460 after Hafnia Holding, which owns 33.5 per cent of Balfin, said its equity capital was down to DKr400m. Balfin's all-share index fell 3.89 to 319.02.

Hafnia Holding B fell DKr9 to DKr102. Banks were also hit, with Danske Bank declining by DKr5 to DKr271 and Unibank by DKr7 to DKr189.

STOCKHOLM's Affarsvärlden General index ended 6.8 lower at 943.3. The insurer, Trygg-Hansa saw its B shares down SKr4 to SKr63, having insured the loan portfolio of the banking group, Gota, in which it is a major shareholder. Gota A, however, rose SKr1.50 to SKr17.60.

OSLO registered its 12th consecutive decline, the all-share index falling 4.88 to 433.78.

SOLVAY

MAJOR DECISIONS IN A DIFFICULT YEAR
DIVIDEND UNCHANGED

KEY FIGURES FOR THE YEAR ENDING DECEMBER 31

(data approved by the external auditors)

Solvay Group (in millions)	1990		1991	
	BEF	USD	BEF	USD
Sales	255,241	32	254,801	7,893
Investments	36,500	7.1	33,900	1,050
Research expenditures	12,846	6.2	12,866	399
Net earnings	15,910	21.8	12,440	385

Solvay S.A. (in BEF per share)

Net dividend	500	500	15.49
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Exchange rate 1991: USD 1 = BEF 32.26

Four major agreements that affect our future have been concluded recently. They will have an impact on our 1992 figures and confirm the growing diversification of the Group toward sectors and products that have more added value and are not cyclical.

• A strategic alliance with the Upjohn company covering two central nervous system pharmaceuticals, an alliance which manifests our interest in the Health sector.

• Recovery of the Bernburg plant in Eastern Germany, which opens new prospects for our products in Central Europe.

• Take-over of 100% of the Interco companies' activities in hydrogen peroxide, persalts and related products, which will en-

able us to reinforce a core business with good margins and prospects for growth.

• Acquisition of a soda ash activity from Tenneco Inc., which gives us access to production of "natural soda ash" and enhances our geographical diversification in the United States.

In 1991, the Solvay Group witnessed a gradual economic slowdown and increasingly stronger competition. Although results are down in the Plastics and Alkalies sectors, they are virtually unchanged in the Peroxygens sector but are on the rise in the Processing and Health sectors.

The dividend approved by the General Assembly remains at the 1990 level.



Baron Daniel Janssen
Chairman Executive Committee

[Signature]



The annual report is available in English, French, Dutch and German on request from the Company Secretary, Solvay S.A., rue du Prince Albert 33, B-1050 Brussels

FT-ACTUARIES WORLD INDICES

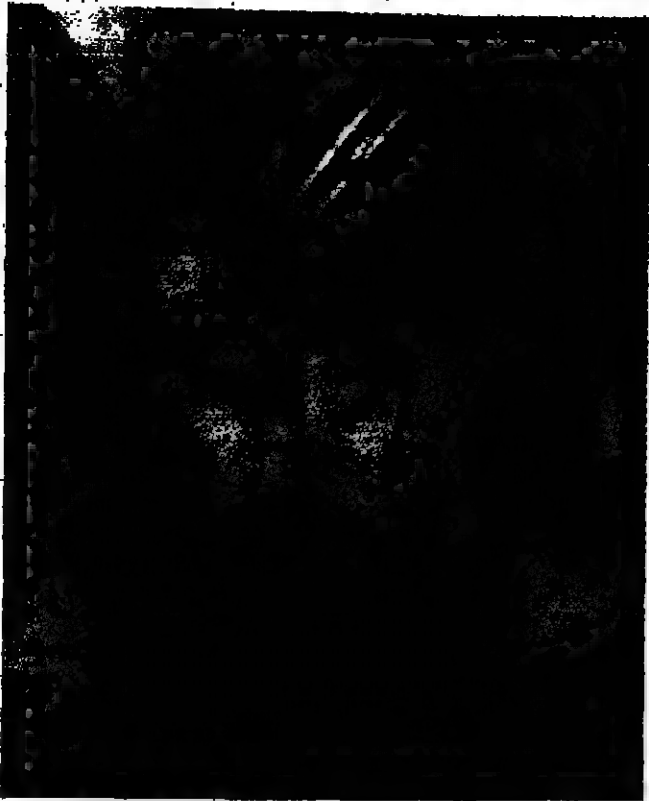
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 17 1992								TUESDAY JUNE 16 1992				DOLLAR INDEX			
Figures in parentheses show number of times stock was up	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	146.61	-0.5	117.27	117.74	120.38	129.40	-0.8	4.22	147.32	117.49	117.69	120.02	130.12	153.65	140.94	140.08
Austria (19)	171.81	-1.4	137.26	137.82	140.70	140.50	-1.3	2.09	174.04	138.73	139.39	141.79	142.33	186.70	182.48	187.85
Belgium (48)	142.56	-0.8	114.05	114.50	116.97	114.10	-0.5	5.35	143.75	114.58	115.12	117.11	114.06	148.19	135.67	127.41
Canada (115)	125.81	-1.3	100.48	100.88	103.05	106.79	-1.4	3.39	127.39	101.50	101.97	103.73	110.32	142.12	125.80	141.07
Denmark (39)	184.81	-1.9	106.59	106.25	109.26	109.20	-1.5	1.52	190.47	109.49	109.39	109.47	109.47	184.11	182.94	181.54
Finland (15)	77.00	-1.6	81.59	81.85	83.18	83.39	-1.4	2.03	78.23	82.35	82.65	82.73	70.37	89.80	73.64	102.87
France (104)									183.73	103.25	103.55	103.63	103.63	184.81	183.69	182.41
Germany (65)	134.07	-1.0	99.34	99.95	101.76	101.76	-0.3	2.27	125.37	99.93	100.42	102.13	102.13	126.37	114.67	100.61
Hong Kong (55)	248.61	+0.0	192.42	198.21	202.49	245.01	+0.0	3.34	246.80	196.72	197.66	201.07	244.29	264.67	178.38	151.84
India (17)	190.31	+0.3	126.23	128.74	131.51	133.11	+0.1	4.06	195.80	127.45	128.08	130.97	132.00	173.71	151.78	145.12
Indonesia (43)	121.43	-0.1	97.57	98.09	99.55	100.08	-0.1	3.53	122.53	97.57	98.09	99.55	100.08	121.43	119.88	118.45
Japan (47)	98.29	-2.7	78.62	79.63	80.64	79.93	-2.5	1.08	101.05	80.05	80.99	82.94	80.93	140.80	70.07	120.02
Malaysia (68)	261.43	-0.1	193.15	193.92	195.10	234.13	-0.1	2.87	241.84	192.61	193.52	198.86	204.48	250.18	218.49	237.13
Mexico (16)	1488.64	-2.5	1190.14	1195.93	1221.28	908.95	-2.4	1.13	1627.05	1192.20	1223.00	1244.08	520.47	1789.17	317.91	1009.94
Netherlands (38)	145.48	-0.5	112.57	113.02	115.45	115.45	-0.5	1.12	145.48	112.57	113.02	115.45	115.45	145.48	145.48	145.48
New Zealand (14)	48.34	+0.1	37.06	37.22	38.02	45.57	+0.1	4.89	46.29	36.90	37.06	37.21	45.33	48.92	42.01	48.48
Norway (23)	179.39	-1.7	143.48	144.07	147.17	145.93	-1.2	1.89	182.42	145.40	146.10	146.81	191.78	182.45	161.25	170.91
Philippines (36)	228.00	+0.0	182.44	183.17	187.11	170.39	-0.1	1.95	228.17	181.87	182.74	185.99	179.01	228.03	192.76	197.71
Singapore (38)	257.10	-1.4	167.92	168.35	169.57	170.92	-1.2	2.78	263.82	167.92	168.35	169.57	170.92	257.10	257.10	257.10
South Africa (26)	154.17	+0.6	123.32	123.82	124.69	118.14	-0.4	5.26	155.11	123.84	124.23	126.38	116.16	161.72	146.88	148.29
South Korea (27)	193.30	-1.9	154.81	155.24	155.88	162.75	-1.3	2.73	197.09	157.09	157.84	160.58	164.91	200.26	173.09	189.73
Switzerland (83)	108.01	-0.3	86.96	86.73	88.62	92.05	-0.5	2.25	106.43	87.22	87.94	88.16	95.43	108.43	95.99	90.78
Taiwan (25)	155.14	-1.0	125.10	125.10	125.44	147.95	-0.4	4.02	156.12	125.10	125.25	125.44	147.95	155.14	155.14	155.14
United Kingdom (227)	133.89	-1.4	131.09	131.63	134.68	134.68	-1.4	3.05	136.25	132.62	133.16	135.45	136.25	171.66	129.02	151.80
USA (222)																
Australia (703)	153.00	-1.2	122.99	122.68	125.53	124.64	-0.8	5.92	154.00	123.29	123.98	125.12	125.45	168.86	139.31	133.12
Canada (100)	177.11	-1.9	141.67	142.24	145.31	142.54	-1.4	2.28	180.52	143.88	144.58	147.07	144.82	198.92	169.66	181.38
Central Basin (718)	105.01	-2.4	84.00	84.34	86.16	85.41	-2.1	1.45	107.54	85.72	86.13	87.01	87.27	141.94	94.04	129.08
Europe (1511)	124.41	-1.8	99.92	99.91	102.08	101.80	-1.4	2.87	128.66	100.96	101.43	102.45	102.05	148.21	113.80	131.05
France (637)	161.46	-1.4	129.17	128.70	132.06	130.14	-1.4	3.06	163.81	130.99	131.21	133.47	133.47	169.69	158.70	151.05
Germany (637)	157.64	-1.4	129.17	128.70	132.06	130.14	-1.4	3.06	163.81	130.99	131.21	133.47	133.47	169.69	158.70	151.05
Hong Kong (245)	171.12	-0.2	136.56	137.45	140.40	152.28	-0.2	3.52	171.42	136.64	137.31	138.67	138.67	171.12	149.00	139.26
India (1705)	126.56	-1.7	101.24	101.85	103.84	103.98	-1.4	2.68	128.25	102.63	102.93	104.89	105.45	146.51	115.45	135.37
Japan (2000)	133.02	-0.7	106.10	106.40	109.14	119.19	-1.5	2.58	135.27	107.82	108.35	110.32	121.00	150.58	127.11	139.30
Malaysia (16)	157.64	-1.4	129.17	128.70	132.06	130.14	-1.4	3.06	163.81	130.99	131.21	133.47	133.47	169.69	158.70	151.05
Netherlands (754)	160.50	-2.2	126.68	126.81	131.70	121.90	-2.2	1.68	168.28	127.51	130.14	132.26	141.64	165.40	133.20	144.97
The World Index (2227)	138.20	-1.6	110.54	110.99	113.38	122.48	-1.4	2.82	140.43	111.59	112.47	114.41	124.22	153.70	130.66	138.99

TELECOMMUNICATIONS IN BUSINESS

SECTION III

Thursday June 18 1992



Above: BT's new desk-top video-conferencing units allow small groups to meet and send pictures and videos, using document readers and auxiliary cameras: see details on page 5. Pictured left is a construction engineer using a Philips Telecom portable phone; and, right, office staff using an Orbital cellular phone on the new pan-European GSM digital network — see page 5



TODAY's business telecommunications user may sometimes feel in need of a guide for the perplexed. Such is the variety of services now available in the marketplace.

The first reason for confusion is that users can become drowned in techno-babble. Services tend to have acronyms which, even when spelled out, leave customers none the wiser.

For example, ISDN stands for Integrated Services Digital Network, and MAN stands for Metropolitan Area Network. But such translations on their own would hardly enlighten the uninitiated. Meanwhile, expressions such as the fashionable "outsourcing" have different meanings for different people.

A second reason for customer confusion is that, although the state of technology is similar throughout all the world's developed economies, the availability of services is far from uniform. This is to a large extent the result of

restrictive regulations which protect monopoly telephone companies in many countries.

A third reason for confusion is that telephone companies have not traditionally been good at marketing their services, though this is now changing.

Often services have failed to make a breakthrough because of inadequate marketing. For example, free-phone services — which have been a great success in the US — have so far made comparatively little impact in Europe because their benefits have not been sold to customers.

At other times, the telecommunications industry has pushed services which are strong on technology but do not address customer needs. ISDN, which allows customers

to speak and send pictures or data simultaneously down a telephone line, is a case in point. Now, after 10 years of hype by the phone companies, services are only just beginning to take off.

Nevertheless, users have an incentive to cut through the jungle of confusion because of the large productivity benefits new telecommunications services can offer.

Communicating with customers, suppliers or colleagues is at the heart of modern business. New services can increase efficiency in two main ways: first, by increasing the number of contacts people can make, so speeding up every aspect of business from design through production to retailing; second, by improving quality so that communication is

more accurate.

It is possible to classify new telecommunications services under four main headings.

First, services which make it easier to track down people.

Traditionally, telephone numbers have not been an effective means of making contact with people. The person wanted may be engaged, not at his desk or there may be nobody to take a message.

ONE solution to this problem is mobile communications. In the developed economies, cellular systems, the main established form of mobile communications, are being converted to digital technology which will provide clearer communication.

At the same time, new forms

of mobile communications are being introduced. For example, over the next year the UK will see the introduction of personal communications networks which eventually promise to use smaller handsets than traditional cell phones at a lower price.

Another solution to the problem of not making contact is messaging. Phone companies are increasingly offering their customers voice mail, the equivalent of an answerphone in the heart of the network.

Such services can also be installed on a company's switchboard. Alternatively, calls can be forwarded to a different telephone number when a person moves location. A variation on the idea is personal numbers which forward calls destined

for particular individuals but not those destined for particular locations. The first such personal numbers were launched in the US earlier this year by American Telephone and Telegraph.

A second group of new services provides businesses with alternatives to the traditional arrangement of charging calls to the line where they originate.

The most popular, free-phone services, involves the receiver of the call paying the bill. These services have been such a success in the US that they have changed the nature of the retailing industry. Many companies have discovered that they can dispense with shops and use "800" numbers instead to encourage customers to buy their goods.

At the other extreme, premium rate services charge callers more than the normal rate, which is then shared between a service provider and the phone company. Such services have proved a useful way for companies to get paid for providing entertainment and information over the phone.

Another alternative billing arrangement is the telephone card, which allows people to charge calls to their companies' accounts irrespective of where they make calls.

A third group of new services relies on the fact that it is now possible to pump more information down a telephone line than in the past.

Traditional analogue lines are adequate for ordinary conversation, although even then

The industry's jargon is explained by Hugo Dixon for perplexed customers of the latest equipment

A guide through the maze of technology

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Editorial production:
Michael Witalira

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The most successful banks today
are converting to another gold standard.

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TELECOMMUNICATIONS IN BUSINESS 2

FIRST IMPRESSIONS

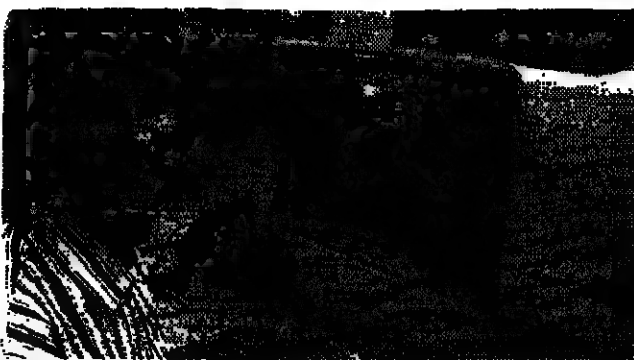
Badly handled calls cost sales, money and customers

Many company switchboards have a built-in frustration factor, but new technology is helping to ease the problem of misrouted calls, says Paul Abrahams

EXASPERATION under-states your feelings. Attempting to 'phone the marketing department, you reach the wrong site and are then passed to the right site, not the wrong department. As the operator struggles to find someone - anyone - to answer, the obligatory Vivaldi 'Four Seasons' begins to play, faintly suggesting an element of urgency.

Eventually you are put through. There is no reply. Each time the operator checks you are still on the line, she is so quick you have no chance to ask to leave a message. Your last quarter's telephone bill was horrific - it's not too difficult to work out why. The only possible compensation is that you'll save money by never buying anything from the sales department - if you ever reach it.

Such experiences are commonplace, but no less frustrating for that. For this article, it took four days of left messages and increasingly urgent appeals to public relations officers to reach any executive at GPT-Siemens competent to talk on the subject. At one stage it took ten minutes of shuffling through one organ-



Efficiency boost: new automatic call distribution systems are making life easier for switchboard operators

sation to discover all its press officers were out to lunch. The problem is no joke. Missed and badly handled calls generate more than ill-will. They can cost sales, money and customers.

But technology may be riding to the rescue. The cavalry is in the shape of three letters - ACD, more easily understood in this acronym-ridden industry as automatic call distribution.

ACD is designed to allow callers to reach a person rather than an engaged or non-answering line. A sophisticated software system monitors incoming calls and directs

them to the personnel, known in the trade as 'agents', who have been free the longest.

Simultaneously, a real-time information system provides data to managers about how calls are stacking up and how individual agents are performing.

Mr Nick Doughty, marketing manager of business systems group at GPT of the UK, one of the leading manufacturers of ACD equipment, explains how the system can monitor the average time taken to respond and the number of people abandoning their calls through frustration. Some companies have been able to cut the num-

ber of abandoned calls by as much as 30 per cent, he says.

About 6,000 ACD systems are installed world-wide, according to Mr Richard Reid, managing director in the UK of private switching for the European subsidiary of Northern Telecom, the Canadian telecoms manufacturer. Users include banks, airlines, insurance companies, credit card companies, and mail order houses.

Telephone operators' efficiency can be increased by up to 30 per cent using ACD systems, claims Phillips Business Systems (see page 9: Last calls mean lost business).

In Britain, BT, the UK telecommunications group, has installed 47 Meridian systems supplied by Northern Telecom. The group has also installed 5,000 ACD telephones as part of its customer first programme. The aim is to answer 90 per cent of all customer service calls and sales enquiries within 15 seconds.

Mr John Turner, head of planning for the programme, explains BT will now be able to offer fault reporting 24 hours a day, 365 days a year. The system will work on a regional basis, allowing agents to pick up calls from outside their

local area. Each agent has a regional database allowing them to access the relevant data on each caller.

Other users include British Airways which according to Mr Doughty has installed a system in four or five of its airports, linking some 300 agents together. When one airport is overloaded by calls they can be transferred to the other sites. In the US, large organisations had even redirected inquiries to different time zones, and even different countries.

In New York, one bank uses ACD to deal with loan inquiries. Once customers have been interviewed for the loan

they can call back, enter a code through a touch-tone telephone and then hear the result of their request. The bank filters out the vast majority of customers who are given a positive response and can then deal more effectively with the minority of those refused.

About half of ACD systems are sold integrated with voice-messaging, says Mr Reid at Northern Telecom. The most recent technology records not only the message, but also the number of the caller. The system will then call back automatically when required. Messages can be subsequently annotated and redirected within the organisation for

action, or even broadcast to everyone else's electronic voice-box.

The market for ACD is dominated by Ericsson, the Swedish group, AT&T of the US, Siemens of Germany, GPT in the UK and Northern Telecom. The UK market is worth only £50m a year, according to Mr Doughty, but it is growing at about 10 per cent a year.

Meanwhile, the technological prospects for ACD will be enhanced by the introduction of integrated services digital network, ISDN (see page 10: Milestone for integrated services). Once in place, ISDN will allow companies to use computers to identify the telephone

number calling in, interrogate a database, and bring up the caller's name and his relevant information on a screen in front of the agent. The agent could pick up the telephone and respond with the caller's name before he, or she, has even spoken.

That sounds rather better than being lost in the usual telephone system paying for the privilege of listening to an undistinguished recording of Vivaldi.

Order handling: how to speed up inquiries: see page 4.
Freephone services: page 6.
How to make the right connections: new answering machines: see page 7.

TELEMARKETING

Area with high potential

AT LEAST 50 per cent of all businesses already use the telephone as part of their marketing activities in a planned and controlled manner, according to the British Direct Marketing Association.

Mostly it is used to take orders, handle customer inquiries or make appointments. The trend, however, is to extend the use of the telephone in marketing to such new areas as establishing new business or managing relationships with existing customers.

Telemarketing has several advantages over traditional marketing methods. Its proponents say that it allows most companies to significantly increase customer contact, lower unit-cost of sales, reduce the number of salesmen and cars on the road, and add new dimensions of flexibility in relationships with customers.

But most important, they say, telemarketing can allow organisations to offer a significantly better level of service to their customers.

Recent technological advances in telephone call-handling such as automatic call distribution - where rather than hearing an engaged tone when the call handlers are all occupied, callers are placed in a queue (see article above) - and computer integrated telephony (CIT) - where computer databases are linked to the incoming call, allowing call handlers to quickly access information about the cus-

tomers such as payment records, product preferences or credit rating - are allowing companies to give a much higher level of service, increasingly the most significant criterion by which customers choose their suppliers.

Another contributing factor for the increasing use of the telephone in marketing is the lower cost of phone calls in real terms. New services such as 0800 automated freephone numbers have also increased the use of the phone for placing orders, (see page 6: freephone services herald intelligent network era).

According to Mr Richard Dorgan, the product manager responsible for Mercury's newly-launched FreeCall and LocalCall freephone services, some £150m worth of calls a year are made via Britain's freephone numbers - "we expect this figure to double over the next five years as organisations increasingly use the service to help maintain established customer bases and to attract new business."

Customers, too, are increasingly attracted by companies which use the phone as their

main point of contact - as witnessed by the rise in popularity of those offering their services by phone such as home banking, motor insurance and travel agents.

Younger people are particularly attracted to buying by phone, according to Mr Simon Roncoroni, partner in Leidenman and Roncoroni, a London-based telemarketing consultancy - "younger people are much more used to using the phone," says Mr Roncoroni, "and these young people are the customers of today."

MANY businesses that now operate out of retail outlets or on a face-to-face basis will move towards the telephone to handle customers, says Elisabeth Gluck, chairman of Programmes UK, a leading telemarketing agency.

Most banks, also, are looking at home banking as a way of extending their services and opening hours.

One of the pioneers has been the Midland Bank with its First Direct subsidiary. Launched over three years ago, First Direct says it is now

Britain's fastest-growing bank with 10,000 new customers joining every month. Every day, it says, it receives up to 10,000 calls, with nearly 50 per cent of calls occurring outside banking hours.

"There's no longer any doubt that the market for direct banking in the UK will be substantial," says Mr Kevin Newman, First Direct's chief executive. "Our research indicates a potential market of up to six million people by the end of the decade."

Business-to-business sales are also increasingly achieved by phone. Even big purchases, such as computers, are being sold in this way and stationary and consumables have been sold in this way for many years. But just picking up the phone is no guarantee for sales success - "companies put a lot of budget towards technology but not in developing communications skills," observes Elisabeth Gluck. Good communications skills, however, can significantly improve productivity, she says.

Many in the industry fear what the European Community may soon have to say on the issue of telemarketing and "cold calling." The EC's directive on data protection will attempt to standardise the free flow of data across Europe. How this data is gathered and subsequently used is now up for discussion.

Maria Madison

Better business services

Continued from page 1

the quality of the sound is fairly poor. But they are not good enough to transmit moving pictures or large amounts of data.

For some time, telephone companies have catered for businesses needing high-speed communication by providing private circuits.

The carriers are now providing high-speed facilities on their public networks. This is the main feature of ISDN, which converts an ordinary analogue line into two high-speed data channels (see page ten). These can then be used for applications such as high-speed facsimile, video telephones and desk-top video conferencing.

Other services cater for busi-

nesses needing even faster data links. For example, metropolitan area networks (MANs) allow computer networks in different parts of the same city to communicate as though they were part of a single computer network. MANs are already available in cities such as Munich and Amsterdam and, according to Mr Stefan Zelle, a project director for Frost & Sullivan, the market researchers, such services will grow very fast in coming years.

The fourth group of new services can be loosely described as "outsourcing". This involves a company contracting out part or all of the running of its telecommunications network.

The main idea is that telecommunications has become so complex that most organisations

do not want the hassle of employing the specialist staff needed to run their own systems.

The term "outsourcing" covers a wide range of services, from the fairly basic to the all-singing, all-dancing variety.

At the simpler end is contract, which involves a company contracting out the running of its switchboard to the local telephone company.

Slightly more complicated are "virtual private networks". These give organisations the impression that they are using their own private networks to communicate between branches while in fact calls are routed over the telephone company's public network.

There are also many types of public data network, alternatives to companies running

their own private data networks. Such "managed data networks" started as domestic services but have increasingly developed a global reach.

At the top end of the outsourcing category, carriers are positioning themselves to provide multinational companies with comprehensive telecommunications services across the globe, (see page 11). BT, the UK group, has been the most aggressive company in this market through its Synchronia subsidiary, based in Atlanta, Georgia.

The essential idea is that a multinational deals with only one carrier - instead of one for every country - receives a single bill and gets 24-hour multilingual support to deal with problems.

Such top-end services are expensive. But, for customers perplexed by the myriad of offerings in the market, they are the ultimate solution.

These four pieces are hinged so they can be joined into either a triangle or a square. Which is it?

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TELECOMMUNICATIONS IN BUSINESS 4

CREDIT-CHECKING SERVICES

Information at your fingertips

Ian Gregory examines on-line information services for credit controllers, marketing executives and business analysts

THIS MORNING postmen will be delivering around 13,000 summonses, 6,500 county court judgements and 150 bankruptcy orders to Britain's debtors - both corporate and individual.

The anxiety caused by this "paupers' progress" is not only felt by the insolvent themselves. It also causes considerable grief to credit controllers as each debt represents a costly failure in terms of administrative expense, as well as the impact of the debt itself. A perfect system for credit control will never exist, but on-line systems are proving superior to relying on hunches or even in-house analysis, when assessing potential clients.

"Apart from making for quicker decisions when a salesman has found a new customer, it also saves the need for in-house expertise in analysing accounts," comments Guy Glover, finance manager for British Steel £350m-a-year welded tubes business.

The established credit vetting agencies like CCN, Dun & Bradstreet and Infocheck have provided on-line access to their databases for several years. These give details of corporate accounts, county court judgements and - most importantly - their credit view on hundreds of thousands of British companies.

International databases are accessible through services

such as Infocheck's Global Scan which provides instant access to information on most European countries as well as South Africa and Canada.

"The appealing thing about Global Scan is that you can see through the index which countries a company like Colgate, for example, has a presence in - so you don't waste your time looking in overseas databases in countries where it does not exist," says Mercury's Guy Robinson.

Furthermore, if clients need information on, say, a German company, "they used to have to hunt around for a week for it. Now they have access to that and other information from one source," says Simon Underwood of Global Scan.

"Our custom service also provides information on any private or public company in any country in the world within, at most, three weeks."

On-line "libraries" of business databases are now being built up by companies including BT and Mercury - "this is one-stop shopping for information. You don't have to have separate subscriptions to each database and our help-desk acts as an honest broker as to which is the best service for your needs," says David Rosenbaum, of BT Tymnet, which provides access through both Telecom Gold and Prestel.

Such services certainly cut down on bad debt. The Charity Christmas Card Council's use

of the CCN database through Prestel has helped keep its bad debt total down to £2,000 out of a £2m turnover. Where potential customer's credit references may be dubious, it insists on payment in advance and last autumn found that six of these businesses failed to send in a cheque.

"One of these was a firm which CCN showed had four county court judgements against it during the previous 12 months," says 4C's Neville Bass. "Lo and behold, two weeks later they appeared in the Gazette after going bust."

The growing range of on-line "libraries" of business information is proving superior to relying on hunches or even in-house analysis

With on-line credit-checking services, the main drawback for some users is the cost which, with BT, is £3.15 a minute - "there are simply too many pages on each report which you have to wade through before you get to what you really need which are the county court judgements and the credit view," comments Mr Bass, who finds that the average search takes around four minutes.

"You start to wonder whether they put in a lot of

guff just to keep you on-line. It's like the long announcements on the 0898 numbers seem to be designed to clock up the bill. And about quarter of the time there's no credit view - just a message saying: 'Sorry, these accounts are being updated.'"

BT is aware that time-based pricing is proving unpopular, particularly among less-experienced users - "we are already beginning to introduce 'per report' pricing and intend to phase in this method for all our high-value services," explains David Rosenbaum.

Direct access to particular databases will, however, continue to be cheaper for those using over a few hundred reports a year because of the bulk discounts which are offered by the databases.

"For high-number, low-value orders, Infocheck is delightful because it is simple and straightforward. 'All the other databases can be a sledgehammer to crack a nut,'" comments British Steel's Guy Glover. "On ICG and CCN, the information is a great deal more sophisticated and useful but the cost of getting in is fairly high."

His division has bought "unlimited access" to Infocheck but he also uses both BT's Prestel and Telecom Gold as an additional executive tool. "They offer services galore and are instantly available. For example, this morning I went

into FT Profile to see what the papers were saying about a possible merger which we're interested in."

A communications package enables him to dial into Prestel and take "snapshots" of certain pages which are then saved on to his disk.

"It takes less than two minutes on-line and then, if any of the information is interesting, such as company news or foreign exchange rates, I can dial-in for more details."

Dun & Bradstreet, a market leader in credit-rating is generally only on-line to direct customers, although it is in negotiations with BT and Mercury. "I have a greater 'hit rate' when looking for a particular company when I'm using Dun & Bradstreet," says one finance director, "because it includes trade names and not just formal company names. But the expense of the service has often meant that, having found the company, I then switch to a cheaper service to do the credit check."

In reaction to such criticism, Dun & Bradstreet's Philip Mellor says that, over the past few weeks, the company has introduced "the facility to select items from an individual report rather than take the whole report."

He claims that "no other database also has such a comprehensive payment analysis system as ours which shows the delay in payment over the



In London, Nicholas Thompson uses Global Scan to check credit reports at Hoskyns, the computer services company. He has access to 20 on-line databases from three sources - Data Star, Pergamon and BT. Picture by Tony Andrews

past 18 months for companies in comparison with their industry sector."

Rival databases emphasise different strengths - Infocheck's Ray Ruffles says "our direct customers also get access to our instant on-line credit insurance service, as well as free usage of our added-value services, including company news and monitoring."

Mercury admits that its credit checking library is "still in its infancy," but it does seem well-placed to take advantage of the growth in the market. Last year it secured a contract with Companies House to be the sole on-line outlet for its database. "It has become a magnet for

all the other business information databases as they want to appear on the same menu as Companies House," says Mercury's Guy Robinson.

Mercury has also signed a letter of intent for a five-year contract with the British Chambers of Commerce for its Chambersnet database which should be on-line in November. This DTI-sponsored project aims to enable users to produce lists of information such as which companies produce a given product, which companies import or export from a specified country as well as lists of company officials such as IT directors.

Mercury has also been invited to join an EC-funded consortium to produce a pilot scheme for a European business register.

Although Mercury's vision of a system providing pan-European credit-checking and marketing information is alluring, the obstacles to its realisation range from the incompatibility of European accounting standards to the difficulties of translating the Greek alphabet.

Meanwhile, the key decision for financial controllers is to find which one or more databases offer the information they require and the cheapest form of accessing it. Otherwise the credit checking bill might be greater than the savings in bad debts.

ORDER-HANDLING

How to speed up inquiries

ORGANISATIONS with large volumes of telephone calls for sales, repair and service enquiries have the apparently conflicting object of bleeding fast, efficient call-throughput with impressive, personal attention to the caller. This is the compound target of call-centre systems.

There are three computer-based functions within the umbrella call-centre title: automatic call-distribution; voice processing and computer-supported telephony. Once distinct, the integration process is now well advanced.

Automatic call-distribution, ACD, manages call-input so that every caller is answered as quickly as possible and call-handling efficiency is kept at peak. Voice processing, VP, deals with callers using automatic voice systems, rather than human call-handlers. Computer supported telephony, CST, is the automatic screening for the call-handler of database information about the caller. Both ACD and CST also have outgoing call handling roles.

ACD queues incoming callers before answering them. The first-come-first-served principle may be varied by such programmed influences as priorities given to callers using certain telephone numbers and call handlers' specialisations in given subjects or products.

Calls are allocated to call-handlers to give an even work flow unless the system is programmed to release certain handlers when possible and bring them back when required. Such reconfiguration may be by supervisor com-

mand or automatic as call traffic levels fluctuate, or both, and may involve co-ordinating several sites on a network.

The ACD function may be on dedicated hardware or may be optional software in the PBX. Either way, it should provide supervisors with full management information both in real time and as statistical trends.

Special Telephone Systems' Supercall series contains both dedicated ACD systems and ACD/PBX hybrids based on their SDX switch and with

Combining speedy and efficient handling of large volumes of calls with personal attention to callers is not easy

computer-supported telephony links. The company suggests that in most cases the hybrid answer will suit smaller installations of less than 50 call-handlers.

Hybrids include Northern Telecom's Meridian ACD addition to its SX 2000 range and DTS International's ACD 25 package call-handlers.

Voice processing may precede the ACD function if callers are simply to be asked their account number, phone number and type of enquiry to route them correctly - although good ACD integration will queue them, putting them to the VP only when they will be forwarded to the relevant call handler without further delay. Linked to a host computer, VP may complete the call where enquiries simply

need recorded, mailed or faxed information.

Computer-supported telephony, CST, starts with some identification of the caller - such as an up-front VP system would provide - and obtain information about that caller from a host database.

BT describes four roles for CST:

□ Capturing dialled-number information service data from the incoming call and matching with product or service information from the host computer (where each product or service has its own number).

□ Transfer of a call, together with data pertinent to the call, to others without the need for the caller to repeat information or questions.

□ Proactive generation by the host computer of outgoing calls along with presentation of data on the reason for those calls.

□ Matching CLI (calling-line identification) where available, to the host for customer information to be presented to the call handler with the call.

One CST-user is Hong Kong Bank. Harris Telecom Systems linked to an IBM mainframe use a recorded announcement to ask callers for their PIN number with which the system locates their customer file. The customer is also asked the required service so that the agent given the call has the customer's name and the nature of the enquiry and has the information on screen to deal with both.

Noweb takes this one step further. Their Aspect Telecommunications system has links to sales representatives' electronic diaries. Call-handlers

make appointments directly and provide sales staff with the information they will need when they arrive.

Butlin's reservation centres illustrate the outgoing calls role. After seven days, an Aspect system automatically calls back people who made unconfirmed provisional reservations, allocating the call to a call handler along with a scripted screen to confirm the sale.

To obtain data from - and eventually update it back into - a database, CST requires a fast interface. Industry standard interfaces are well supported by vendors - X.25, 3270/3270A (for IBM, LAMP (typically Digital and Hewlett Packard) and so on. Further, the European Computer Manufacturers' Association is working with other bodies influential on standards issues on sets of CST messages.

The next development awaited eagerly by call centre systems purveyors is Caller Line Identification, CLI, by which the public telephone service tells the PBX or telephone the number of the person calling it. The CST system, therefore, can obtain database information on callers still in the queue and can identify, for later callback, any who ring off before getting through.

Geoffrey Tyler

BARCLAYS BANK has a private telephone network for 250 of its offices and branches in the UK. The network is made up of private circuits that are leased from BT and Mercury Communications, and switches that it has bought directly from manufacturers to route calls between its sites.

But having built and refined the network over a number of years, Barclays is about to dismantle it and go back to using a service provided and managed by BT.

The UK bank is a guinea-pig for a new service called FeatureNet. This is BT's name for what have become known as virtual private network (VPN) services.

VPNs were first offered to large corporate telecommunications users in the US in the mid-1980s, but are only now starting to make an impression in Europe.

Virtual private networks are

a cross between private networks and the public switched telephone network. A private network is closed network, and the telephone lines that make up the network only carry the calls generated by the owner of the network. The public switched telephone network carries all the telephone traffic that is not on private networks.

VPN services offer reserved private capacity on the public switched telephone network through the use of sophisticated switches. Each user effectively has its own private network, but

Virtual private networks start to make an impression in Europe

Hybrid service now set for rapid growth

the network is defined by the software in the system rather than by the physical location of the plant.

The switches enable the VPN customer to access a range of advanced services that are not available to people using the public switched telephone network.

Omum, the London-based telecommunications consultancy, forecasts that by 1997, VPN services will account for eight per cent of the revenues of European telephone operators derived from national services, and 17 per cent of the revenues of US operators.

The impact of virtual private networks will be even greater for international services. Omum predicts that by 1997, 21 per cent of the international revenues of the world's largest telephone operators will be accounted for by international VPN.

Cost-savings are the main incentive for companies to start using VPN services. In the US, there were price wars between the long-distance operators in 1988 and 1989 which led to a rapid take up of VPN services. Today, most of the top 1,000

companies use VPN services, but as a complement rather than as an alternative to private networks.

Cable and Wireless offers big business a comprehensive telecom services with products such as its "global virtual private networks." Multinational users include Esso, Rockwell International and Grand Metropolitan.

In Europe, where virtual private network services are only now starting to become available, Omum analysts have found that large users expect to receive discounts that will enable them to make reductions of between 15 per cent and 20 per cent in their total telecommunications bills.

Barclays says that the switch to the VPN service will lead to savings of millions of pounds a year in lower call costs, plus a one-off saving this year of £5 million from not having to renew its telecommunications equipment. Lower tariffs are not the only way in which VPN services can bring about cost savings. The fact that the network is built and managed by BT means that companies no longer

need to keep a full-time group of professionals to maintain the network.

BT says that this will free the professionals to "tackle more important issues of planning resources and develop new ways of improving business performance."

In reality, it is more likely to lead to a number of staff being made redundant. Cost savings are not, however, the only benefits of VPNs over private networks. For a number of users, one of the key benefits of VPN services is the fact that they can be extended to outlying sites, which are too expensive to serve via a company's private network.

Barclays, for example, intends to extend its VPN to 1,400 sites by spring 1993. Its private network only covers 250 sites and the rest have to rely on the public switched telephone network.

VPN can also provide more

In the US, most of the top 1,000 companies now use VPN services

flexibility than a private network. Many companies which lease private circuits use them to their maximum capacity only at certain times of the year.

In the retail sector, for example, there is higher capacity utilisation before Christmas and at sale times than at other times of the year.

With a VPN service, companies can mould their capacity around these seasonal variations and avoid paying for capacity that they do not require.

Mark Newman

ELECTRONIC MAIL

Brighter prospects

What is worse for the industry, the income generated by e-mail users is substantially less than that from users of other communications technologies. For example, while the average US fax machine is used to run up a monthly phone bill of \$90 and the average cellular phone user spends \$75 a month, the average e-mail user spends only \$25.

But now it looks as if things may at last be looking up for electronic mail. In an era of personal communications, there is a promise that the idea of sending each other electronic correspondence may gain a new lease of life.

E-mail's "store and forward" nature - where the recipient decides when and where he or she wants to receive a message - is very compatible with the mobility and flexibility of the personal communications concept. New innovations are making it even more so.

A big perceived drawback of e-mail systems has been incompatibility between many systems and the inability to send messages between users of different systems. New systems are being based on so-called open system principles, however. In particular, the X.400 series of message handling system standards developed by the International Telecommunications Union (ITU) during the 1980s are now forming the basis for

e-mail systems which allow their users to communicate with users of other systems.

Another ITU series of specifications, the X.500 series, promises to extend this inter-system compatibility even further by providing a standard for electronic messaging directories - so that it is as easy to look up the correct dialling code and number for another e-mail user as it is for another telephone user.

At the same time new, more sophisticated, software "front-ends" are being developed for e-mail users so that they do not have to memorise complicated commands to access their mail or send messages. Many of these now exploit all the tricks of the computer trade such as windows and icons to make using e-mail as easy as using a facsimile terminal. But the icing on the cake, many observers are predicting, will be the ability to combine e-mail with highly portable computers and radio communications networks.

Modems in portable computers are now becoming standard accessories. But these still require access to a fixed telephone line which can make their use while on the move awkward. Last year, however, US computer manufacturers IBM and NCR and the Japanese electronics giant Canon all introduced laptop computers with built-in radio communications facilities.

At the same time, radio networks are being planned or built capable of supporting these kinds of terminals. In the UK, for example, Dowty, Hutchison and Ram have all launched or are in the process of launching mobile data services. Cellular radio mobile telephone networks are also capable of carrying data although not very well - fewer than 100,000 of the 8m mobile telephone users in the US

transmit data via their cellular lines.

A new technology being jointly developed by IBM and nine US cellular network operators promises to change this, however. By exploiting the "idle" moments of airtime between voice conversations, the group believes data rates of up to 19,200 bits of information a second can be achieved; on a par with the best fixed network dial-up modems.

When it becomes available in the US, early next year, some e-mail experts are predicting a wireless electronic mail boom with a market passing the \$15n-a-year mark very soon.

Peter Purton

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VIDEO-CONFERENCING

An alternative to costly, tiring travel

VIDEO-CONFERENCING is a technology and business communications medium whose time may finally have arrived. Equipment prices are falling, simple-to-use desktop and PC-card systems are appearing and for the first time video-conferencing and video-telephony are beginning to offer a real alternative to costly, inconvenient and tiring travel.

According to the US-based Gartner Group the world market for video-conferencing equipment is now worth about \$200m and is doubling each year. Dial-up, high performance systems are the fastest growing sector accounting for about 70 per cent of the total market and are forecast to account for about 98 per cent of the market by 1995.

The big three video-conferencing system manufacturers are PictureTel, which has about 75 per cent of the US market for dial-up video-conferencing at data rates of under 384 kilobits per second (Kbps), GEC Plessey Telecommunications of the UK, and California-based Compression Labs which produce high-end systems with data rates of above 384Kbps. Indicating the market's dynamism, PictureTel's turnover doubled last year to \$75m. Frost and Sullivan, the market research group, estimated recently that

the number of installed video-conferencing units in the US would surge from 4,680 in 1990 to 182,000 in 1995.

In the UK market, analysts estimate that 3,400 video-conferencing systems, big studio-type systems and transportable "roll-around" or "roll-about" systems, were sold last year and that sales are roughly doubling each year.

Several factors are driving the recent rapid growth in dial-up video-conferencing.

□ Firstly, the cost of equipment has fallen dramatically from about £200,000 in 1986 to about £20,000 in mid-1991 (for one end). According to PictureTel's UK subsidiary, prices are roughly halving every two years. PictureTel, which has its European headquarters at Slough in the UK, introduced a £17,000 dial-up roll-about system in September which is designed to work on 64Kbps ISDN lines.

These falling costs have been made possible by the availability of VLSI codecs, the advanced integrated circuits used in systems to digitise and compress the picture.

□ Secondly, the availability of dial-up high-speed data connections like Mercury's Switchband 64Kbps-1920Kbps dial-up bandwidth-on-demand service, launched last autumn, means that users are charged on the

basis of bandwidth only.

Instead of having to own or lease expensive data connections which are not used all the time, companies can now dial-up the capacity they require without pre-booking as and when they want it.

In the UK now, inland video calls can cost as little as £15 an hour – cheaper than a taxi to Heathrow from central London – and a transatlantic call costs about £160 an hour. In the US, costs are even lower with a coast-to-coast call costing between \$15 to \$20 an hour.

□ Thirdly, technical improvements have resulted in higher quality sound and pictures over lower levels of bandwidth. Old systems used to produce jerky images on 2Megabit lines while today's systems produce much more acceptable video on 128Kbps lines. While falling equipment and usage charges make video-conferencing affordable to more organisations, a growing awareness of other issues like the time and cost of travelling – and its impact on the environment – are also adding to its attractions. This means that video-conferencing is no longer just a boardroom novelty, but is also being used by geographically dispersed project and sales teams, consultants, specialists and others at executive and middle management level.

In the US, the biggest customers for dial-up video-conferencing are still the Fortune 500 multinationals who mainly use it for internal communications. But companies are also encouraging their suppliers to use video-conferencing to improve communications.

Another factor which has helped boost equipment sales has been the agreement of a CCITT standard called FX64 or H.261 which will ensure that dial-up video-conferencing systems interconnect with each other.

In the UK, both BT – which holds about an 80 per cent share of the UK video-conferencing market and doubled its turnover from video-conferencing sales last year – and Mercury offer public video-conferencing facilities for hire by the hour and multipoint video-conferencing connecting multiple sites, as well as selling video-conferencing packages.

For example, Mercury, which has distribution agreements

with the main equipment suppliers, can provide a full executive video-conferencing system including an electronics module, monitors, cameras and desktop keypads and a choice of network services: options including Switchband.

Mr Andy Gent, business development manager with Mercury Datacoms, says with confidence, "we're at the right time and the right place – video-conferencing is what people want and the market is growing rapidly."

In the past year, a new low-end video-conferencing market segment has also begun to open up and promises to have a dramatic impact on the office. Desktop and plug-in PC-card video-conferencing systems built around small video cameras and ISDN telephone lines have begun to appear and although only a few hundred systems are expected to be sold this year perhaps as many as 50,000 could be sold in 1993 including

an estimated 8,000 in the UK.

Among the suppliers of PC-based videophones and desktop video-conferencing systems in the UK is BT which has spent over £20m developing visual services in the last five years.

Earlier this year BT, in partnership with IBM, unveiled a PC-based videophone which will cost about £4,000 and be available next year. The system comprises a plug-in videocodec card, a small video camera and a connection to the ISDN network. Similar systems are promised by Compression Laboratories of the US which has developed its Cameo personal video system with Apple Computer and by PictureTel which has been working with both IBM and Siemens of Germany.

Meanwhile, Hitachi has begun selling a desktop teleconferencing system weighing 18lbs and the size of an ordinary video recorder. The \$14,900 machine, on sale in

Japan and the US, has two transmission speeds, 64 and 128 Kbps. Hitachi says it expects annual sales of 2,000 systems in each country.

By the end of this year, BT also promises dedicated desktop video-conferencing units which will cost about £7,000 to £8,000 and can have document readers and auxiliary cameras added to them. (BT's desktop video-conference unit is pictured on page one of this survey.)

Mr Ian Fox, a senior consultant with BIS, the IT consultancy, believes that the longer-term trend will be towards these desktop and PC-based systems. Until now he argues only a few companies with "megabucks" could afford the sophisticated high-end systems. But the potential market for low-cost video-conferencing is huge and he predicts that "we will see major growth," particularly because the recession has focused attention on reducing travel

ling costs – "in my view, it's

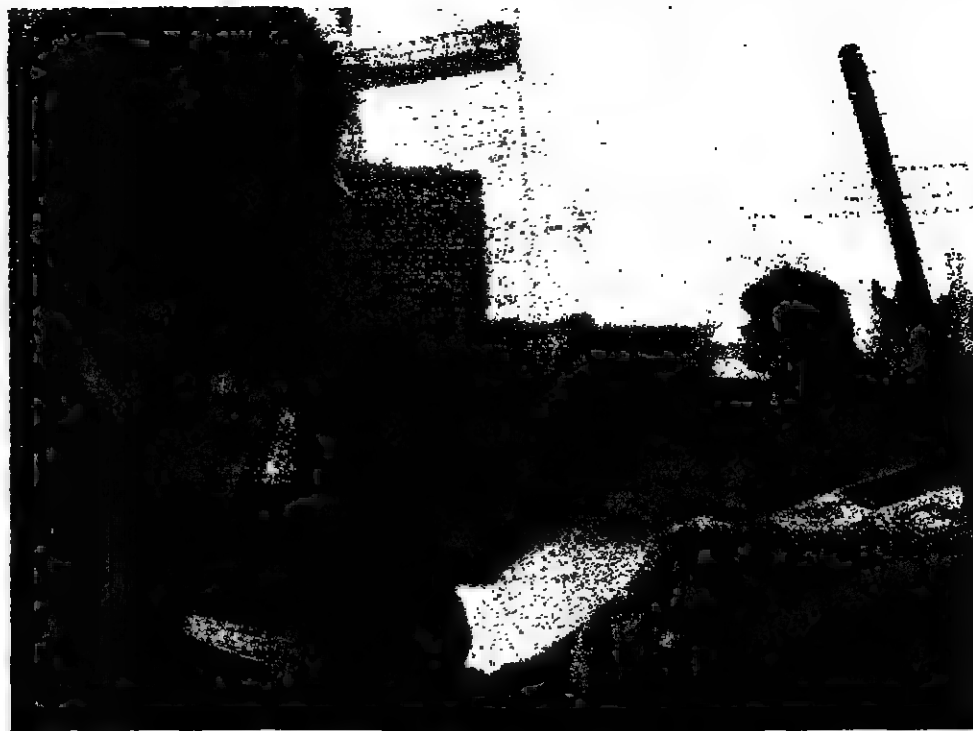
one of the most exciting, if not the most exciting move in information technology today."

However, he is much less enthusiastic about the short-term prospects for home videophones already on sale in France and Japan and those like the £400 analogue model BT plans to launch by the end of the year, or the \$1,500 model launched recently in the US by AT and T, because he argues the video quality available at present is "not sufficient."

Mercury's Andy Gent agrees that "it is debatable how fast that (video-telephony) market will develop."

Nevertheless, Frost and Sullivan forecast that the world market for visual communications in general will be worth about \$8bn by the mid-1990s. If the analysts are right, the 1990s may well indeed be remembered as the decade when video telecommunications came of age.

Paul Taylor



Futuristic phones: shades of Dan Dare and the Mekon

□ A talking head, left, appearing out of a desk is just one of the futuristic ideas in teleconferencing being pioneered by research experts at BT.
The three-dimensional head image projected in the "Future Desk" could have wide applications in video conferencing.
□ Pictured above: an office free from

wires could be 'the business look' of the future with the optical wireless telephone.
Each phone will have its own personal receiver and transmitter in the form of an attached aerial which uses infra-red light pulses. The system is being developed at BT's research laboratories at Martlesham in Ipswich.



Video-conferencing is moving out of the boardroom and into the office. Pictured here is dial-up video-conferencing system at under £20,000 by PictureTel, using low-cost dial-up 64Kbps circuits – "as easy as a phone call." Typical costs are around £2.50 a minute for a transatlantic call

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TELECOMMUNICATIONS IN BUSINESS 6

Freephone services herald intelligent network era

A way to generate larger sales

FREEPHONE services, still in their infancy in Europe, have spawned a telemarketing industry worth about \$300 million annually in the US.

As with hamburgers, blue jeans and credit cards, analysts believe it is only a matter of time before the mass freephone habit crosses the water.

The term "freephone" is something of a misnomer. In fact, organisations receiving 0800-type calls foot the bill for the service in return for the greater volume of customer contacts which result from callers not having to pay to make inquiries or place orders.

Two variations on the theme are long-distance calls to corporate sales or service centres in which callers are charged only local rates and the recipient picks up whatever the telephone company deems to be the difference, and country-to-country 0800 calling.

Either way, freephone is seen as a cost-effective way for companies to generate large volumes of new sales leads or service an existing customer base.

"One of the reasons that a lot of these services have taken off in the US is that corporate customers have realised they offer a real competitive advantage," says Mr Tony Cobbe, group director for GPT's telecommunications systems

group, along with its partner Siemens, a main supplier of freephone equipment.

Freephone calls exploit what the telecommunications industry dubs "Intelligent Network" (IN) technology. Put simply, an IN involves the addition of computer intelligence to the telephone network to allow a number of permutations on the traditional function of connect-

Freephone calls exploit what the telecommunications industry dubs "Intelligent Network"

ing one wireline subscriber to another and charging the call originator for the privilege.

As well as reversing normal charging procedures, computer intelligence facilitates the introduction of a whole range of new services. Included are offerings such as virtual private networks, in which unused public network capacity is partitioned off for private company use; credit card call-

ing calls to and from personal numbers regardless of an individual's physical location in the network; the display of incoming caller numbers; automatic re-routing of calls around a network to accommodate traffic surges following televised appeals or disasters; and pay-per-use telephone information services which encompass anything from weather reports to so-called "sex lines".

Cellular telephony is itself a species of IN service. Initial IN offerings such as freephone were built to be accessed nationwide but, to reduce operator costs, used a small number of large centralised data bases which were interrogated over a special transmission network as the need arose. Future implementations are likely to be more specialised both in terms of content and geographic availability. This has increased network design options to include smaller and more widely distributed intelligent nodes.

"None of the operators are going to want to put in huge amounts of extra transmission capability just to haul stuff to central or regional nodes if some of the services are more economically deployed more locally," says Mr Cobbe.

Telephone operators worldwide are investing in IN systems because they generate new revenues with much higher margins than conventional telephony. They are also a way of responding to competition, where this is permitted, and provide better tools for the overall management and control of networks and services. Adding to its attractions, the IN can provide access to new global service markets.

However, public telecommunications operators do not have the field to themselves. In the case of "value added" services such as recorded pop music or sports results, revenues are split with the information providers.

How big the European IN value-added sector will become depends to some extent on the interpretation of Open Network Provision (ONP) legislation being prepared by the European Commission.

ONP defines the conditions under which public networks can be accessed by private sector service providers and the trick for the EC will be to balance the ideal of equal access with the need to preserve the integrity of the network.

Because some IN services imply that operators relinquish a degree of network control to their customers, developments on the ONP front will also be relevant to some corporate users of IN services.

"I don't think that anywhere in the world yet there's been enough experience of operating with a significant amount of user control," says Mr Cobbe. "We don't know whether there are, or are not, any network risks which arise from that."

Like the operators, telecommunications vendors such as Alcatel, AT&T, NSI, Ericsson, Fujitsu, GPT, NEC, Nokia, Northern Telecom and Siemens are keen supporters of IN. Manufacturers view it both as a parallel market opportunity for their established exchange systems and, because the technology is becoming

switch-independent, as a possible means of entering new national markets.

"If you're big in the industry, you're big in intelligent networks," says Mr Jim Cochrane, director of the switching business unit at AT&T NSI.

Just as IN services are not the sole preserve of the operators, so IN system supply is not an activity exclusive to telecommunications vendors.

Businesses receiving 0800 calls foot the bill for the service in return for the greater volume of customer contacts

Some of the spots of the new market have already gone to the data processing sector.

Although AT&T does not yet have a leading partnership in the IN sector with a computer system company, other telecommunications vendors have deemed it appropriate to work closely with the likes of IBM, DEC and Tandem.

It is a moot point whether

IN BRIEF

London's first voice technology show

VOICE '92 EUROPE, the exhibition and conference planned for London's Olympia from October 6-8, 1992, will include new applications for voice technologies, including FAX and ACD systems, audio equipment, voice response and speech-recognition systems. A special focus will be computer-supported telephony.

Among the leading US and UK companies taking part in the event will be AT&T, Rockwell International, GPT, Racal and Ascom Telecommunications. Speakers at a parallel Voice '92 conference will include Vivienne Peters, director general of the Telecom Users' Association; Dr John Dangle, vice-chancellor of the Open University; Nigel Hart of Mercury Communications; and Charlie Fookett, president of National Micro Systems.

More details available on 081.991.1314.

European market poised for growth

EUROPE'S fledgling market for PC LANs - local area networks used for connecting personal computers in offices, so that users can share files and resources - is poised for steady growth, says a new report from market analysts, Frost and Sullivan.

Although only just over five years old, the penetration for PC LANs reached an estimated 7 to 12 per cent of all PCs by the end of last year. The growing market for PC LAN hardware, software and file server products is likely to be worth more than \$300 million by 1996, the report adds.

For more details, telephone 071-730.3433.

Hospital's improved switchboard service

EAST BIRMINGHAM Hospital, which adopted trust status in April, has purchased a customised Callmaster voice processing system from Racal Recorders, to handle its large number of incoming calls.

The £100,000 system will handle up to 50 per cent of external calls, routing these through extension numbers, allowing operators more time to deal with specific inquiries.

The networking revolution

THE LOCAL area network revolution is in full swing and shows no signs of slowing. By the end of this year, around 35m personal computers used for business, or a third of the total installed worldwide, will be connected to networks within a single site, according to Mr Lee Doyle, a research director at International Data Corporation.

He estimates that by 1996 around 40 per cent of the PCs in the world will be networked and - in Europe - the LAN proportion will rise from 42 per cent to 59 per cent.

Market research produces very different statistics on the size of the market, because of widely differing definitions. Figures for the total world market for LAN products in 1992 vary between \$100m and \$200m. Where all the analysts agree is that it is growing fast, probably at 30-40 per cent a year.

This growth has been boosted by a sharp drop in prices for many types of essential LAN products such as

routers, which help to gather and disseminate information. Most LANs have one of two configurations, Ethernet or Token Ring, both of which are well-established.

At the lower level, involving cabling, bridges and routers, the principal suppliers are IBM, Digital and BT, although increasingly challenged by many others such as Mercury's DataComs subsidiary, BICC and Ungerman Bass.

At the higher level, the beneficiaries are companies such as Compaq, which provides the powerful workstations, and Novell, the dominant software supplier.

The first phase of networking began in the mid-1980s, when users began to find that their standalone personal computers were not able to do what they wanted. They had to be able to exchange data for most practical purposes.

The networking movement was pioneered chiefly by American businesses such as American Airlines, which now has over 30,000 networks.

A second phase is being

brought about by the trends to "downsizing", "client/server structures" and "workgroup computing".

"Downsizing" and "rightsizing" are the vogue words to describe the process by which many organisations are moving systems to smaller machines which are more economical.

Many are also splitting their systems in what is called a client/server structure, whereby large databases remain on the centralised servers but users can communicate with them from applications on their desktop PCs.

At the same time some are starting to adopt applications known as "workgroup" computing, "groupware" or "work-flow automation", that enable teams to share information

more effectively. Mr Ben Smith, UK sales director of Novell, talks of two cultures - the corporate culture and the workgroup culture - and says that the barrier between them is gradually being broken.

GEORGE BLACK reports on the way that local area networks are sweeping the business world

down by local area networks.

He takes the view that many senior information systems managers in large companies, who grew up in the world of centralised mainframe-based computing, remain hostile to local area networks and are

obstructing their expansion. This opinion is shared by some other industry-watchers.

Ben Smith expects that LANs will reach a form of co-existence with mainframes, rather than replacing them.

Mr Hugh Jenkins, systems products manager for Compaq, agrees on this point. He notes that Compaq is now building PCs specifically designed to run on LANs with special security features essential for LAN management.

The ability to disable particular disk drives to protect sensitive data and to guard the LAN against software viruses are among the features that are becoming standard in LAN-specific PCs.

The rapid growth in the market for laptops is not evidence for a return to standalone PCs,

as half of them are now used in conjunction with LANs, he says.

Many large companies worldwide are finding real communication benefits from connecting their personal computers, especially through shared databases, both local and remote, online order processing, shared printers and electronic mail.

Large computer users are transferring more and more routine applications such as accounting and desktop publishing to local area networks. There are also industry-specific applications emerging for instance, to run a doctor's practice or a shop.

LANs can connect from five to 250 users. Ten-user and 20-user systems are still the most common, but there are signs of a shift to larger groups.

More than half of the new installations are greater than 20-user. This may reflect the experience of users who report that groups of 20-30 people derive most advantage from the new workgroup software products such as Lotus Notes.

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TELECOMMUNICATIONS AND THE EUROPEAN BUSINESS MARKET

LONDON, 6 & 7 July, 1992

This year's annual Financial Times conference will focus on the liberalisation of the European telecommunications market and the growing debate on how to create a more dynamic telecommunications market, with lower prices and more services. The new alliances that are being formed to meet the global communications needs of customers will be reviewed, as well as how fast Eastern European telecommunications facilities are being upgraded.

Speakers include:

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Mr Viesturs Vucins Swedish Telecom International AB	Dr Klaus W Grewlich Deutsche Bundespost Telekom
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TELECOMMUNICATIONS IN BUSINESS 7

Answering machines and voice-messaging systems become more sophisticated

How to make the right connections

RESEARCH studies have shown that up to 75 per cent of all telephone calls initially fail to find the right person. One solution to this problem is to install an answering machine or other voice-messaging technology.

The answering machine is a simple and effective means for passing on information to an individual or a small group of people if they are unavailable at the time of a call.

The latest models boast sophisticated refinements which, for example, allow owners to access the machine remotely then, by tapping out a code on the telephone keypad, go straight to the stored messages.

Other features on new machines like the Panasonic KX-T1456, which costs less than \$85 and is designed for private or small business use, include a message memo facility which enables messages to be left by family or a secretary while the user is away.

Most mobile telephone-users now have access to messaging services. For example, in the UK, Cellnet launched its 24-hour answering services for cell-phone customers last autumn. The system, called Callback, will record all calls automatically and then call the mobile phone user to transmit the messages.

To use the service, the Cellnet customer simply taps in a short divert code and from then on all unanswered calls are automatically handled by Callback.

The competing Vodafone mobile phone system launched a similar service called Recall last month. Once connected to the service, all calls are answered, even if the customer's mobile phone is switched off, and they are then alerted by a call when they switch back on. The Recall service

also offers a number of other features including a simple help menu for example to repeat or skip messages, security code message protection, a choice of greeting message for callers.

More generally, voice and call processing technology enables a standard telephone to function as a computer terminal by allowing the user to access computer applications using voice commands, the telephone keypad or a combination of the two.

The European market for voice and call processing systems is projected to grow from \$100m last year to \$250m in 1995 and is being targeted by companies like Hampshire-based Advanced Systems Architecture which has launched a range of voice and call processing systems and products offered as "productivity boosters" to businesses and to software houses and systems integrators.

Using the technology, voice mail and voice-messaging systems, which represent a kind of corporate answering machine where messages are recorded to be picked up by the recipient dialling a personal mailbox number, were pioneered in the US by companies like Octel, AT and T, VMX, Northern Telecom and Centram.

Although used widely in the US, companies in Europe have

only recently begun using voice messaging technology and implementation of systems in the UK is running about three years behind the US.

However, the UK is generally ahead of the rest of Europe, probably because it was the first country in Europe to liberalise the provision of phone services and equipment.

As a result the number of touch-tone telephones is quite

The European market for voice and call processing systems will be worth \$250m in 1995

large in the UK, and that is a pre-requisite for voice messaging unless people carry touchpads around in their pockets the whole time.

Many large companies first begin to use voice-messaging services through a telephone company bureau. This enables them to become familiar with the technology by using a small number of voice mail boxes.

Once they appreciate the advantages, many install their own equipment which can then handle more complicated processing tasks like combining voice messaging with electronic mail and faxes.

By providing a link between the company computer system and the in-house voice-process-

ing system, electronic mail - usually sent from one computer user to another - can be stored digitally in the recipient's mailbox.

A caller interrogating the messaging system will then be told that there are, say, two voice and one electronic mail messages. The caller can then listen to the voice mail messages and, if required, the electronic mail can also be "read" to the caller by a digitised computer voice.

Some systems can even go further, storing facsimile messages which can then be forwarded to a fax machine near the caller.

While technologies such as voice mail enables callers to leave, retrieve or exchange digitally recorded voice-messages, audiotex enables callers to access a wide variety of pre-recorded information, for example aircraft flight times.

Most recently, interactive voice response products have emerged which allow callers to input information to and retrieve information and services from a company computer database using a touch-tone telephone.

These different voice processing technologies are gradually merging together and becoming increasingly sophisticated with the use of voice recognition, voice synthesis and image processing to handle more complex transactions.

Paul Taylor



Small businesses can benefit from the Mid Devon Telecottage at Cotebrook, providing access to fax, PCs, laser printers, wordprocessing, electronic mail, photocopying, desktop publishing and data base generation

TELEWORKING/TELECOMMUTING

Boost for efficiency

WITH plenty of empty office space in many of the world's cities, the growing interest in teleworking - or working from home - may be bad news for hard-hit commercial property markets.

A rather formal definition of teleworking (sometimes known as telecommuting) from BT is: "Any time when an employee, instead of travelling to a central office, stays at home or at a remote site and uses a telephone line to send and receive work."

Though you may not have known it, you have probably teleworked at some time or another - just recall those days when you have worked at home, making extensive use of the phone, perhaps due to a transport strike or because of sickness. Furthermore, many business activities involve work at home.

In the UK, more than 500,000 people are thought to telework full-time, with a further 1.5m part-time. Some analysts estimate that by the year 2010, at least 20 per cent of non-manual working in the UK will be working from home, or near it.

Teleworking's basic enabling technology is, of course, the telephone, but as well as allowing remote voice-communication, the phone line can be used for fax machines and modems - which respectively enable images and data to be sent speedily from one place to another.

Here, office memos and correspondence can be prepared on the ubiquitous PC and transported by electronic mail services such as Telecom GPC, Mercury Link 7500 and MCI Mail. These facilities can also be supported in all but the most remote places by means of cellular phones.

While developments such as ISDN, Centrex, broadband and intelligent networks will smooth the path to teleworking, the digitalisation of the basic telephone network is arguably the most important factor.

Many conventional office activities are suitable for teleworking: specialists, whose work frequently has a high "independent" content; managers, who need intervals of peace and quiet so that they can concentrate on specific tasks; "nomads", such as salesmen or area managers, who often have a roving commission; and clerical staff who may perform data-entry work or telexes from home.

In the UK, interest is being shown in a network of "telecottages" - or work centres in country areas in Devon and the Scottish Highlands where local people call in for faxes, electronic mail and other data.

SINCE an underlying feature of teleworking is the use of telecommunications, it is hardly surprising that both Mercury and BT are actively promoting it. Last October, when Mercury produced its Teleworker Portfolio, it published research carried out by Gallup that showed that it is a popular and highly effective option for both the individual and for the employer.

They found that of companies operating a teleworking scheme, 87 per cent consider the practice to be effective, giving increased efficiency, (42 per cent); increased productivity, (40 per cent); and cost-savings, (38 per cent) as the most important reasons for teleworking.

However, as well as these benefits that are easily quantified and transferred to the balance sheet, there are other issues which need to be addressed. To quote from a BT Research Laboratories report, *An Overview of Teleworking*:

"...over the last decade there has been a movement of population from cities leading to an increasing population in urban and rural areas. For many families, their chosen environment would be a country village. Teleworking will help this aspiration to be fulfilled."

Teleworking will be one way of combatting the projected shortages of skilled staff, as it

will enable companies to retain staff who would otherwise leave.

Since last October, Chris Ridgewell, Mercury's product manager for teleworking, has conducted more than 70 teleworking workshops for groups of up to 200 people.

These meetings have often been followed by presentations to companies which have then have set up working parties of staff, executives and trade unions, as they consider moving towards setting up teleworking schemes.

Despite the benefits to both employer and employee, care is needed in the introduction of teleworking, if problems are to be avoided. As well as the fear of apparent "loss of status" by the teleworker as compared to on-site staff, there are other factors such as the risk of social isolation and loneliness; also, the maintenance of company confidentiality, and the provision and insurance of teleworking equipment.

Britain is arguably far in advance of the rest of Europe in all aspects of teleworking. Thus, the European Community has shown interest in the proposed code of practice for teleworking by the UK's National Teleworking Advisory Council. It has, as its overriding aim, the encouragement of growth in the teleworking sector, in particular, by responding to the commercial requirements of large companies.

Such businesses need appropriate terms of reference to cope with this change in working environments if teleworking is to grow to its full potential in the UK and elsewhere.

Adrian Morant

Report available: "Teleworking in the UK" from the National Computing Centre, Oxford Road, Manchester, M1 7ED.

Case studies on the subject are also given in "Teleworking: A Strategic Guide for Management," by Steven Burch, Kogan Page, £28.95.

AUDIO-CONFERRING

Now the technology comes of age

THERE MAY be many new and exciting technologies for business communications, but the telephone is coming back into its own in the electronic office, as the medium for time-critical conferencing applications.

Swanning around the country, or hopping on Comoro just to attend a half-hour briefing meeting, could be a thing of the past. Audio-conferencing has been available for many years, of course, but 1992 marks a turning point in terms of the technology, according to Steve Gandy, manager marketing & sales, BT Visual & Broadcast Services.

"In fact, things have started changing quite radically. The key change has been the introduction of low-cost audioconferencing equipment which is purpose built for the conferencing environment, enabling a number of people to participate, no matter where they are located."

"More importantly, the new generation of systems feature full-duplex operation and the latest echo cancelling technology, which means that every-



Twenty-five per cent of audio-conference users in the UK are in the financial sector. Above: a conference under way around a new BT AC2000 terminal

one in the room, and people in remote locations, can all speak at the same time and be heard by each other as if they were all in the same room, with no slip-up sentences or lost meanings," he says.

The market, according to researchers, Frost & Sullivan, the US market for audioconferencing in 1990 was worth

\$726.6, of which \$37.8m was equipment sales, \$180m value-added services revenues and \$468.8m transmission revenues. A five-fold jump is forecast over five years, which suggests it will represent a \$3.54bn market by 1995. Since it is estimated by other sources that North America accounts for 82 per cent, and Europe for 12 per

cent of the worldwide market, audioconferencing was worth around \$60m in 1990 and will rise to \$40m in 1995, with network operators, service providers and equipment manufacturers all able to look forward to a slice of the action. Indeed, BT says that the audioconferencing in the office-to-office business communications sector alone will be worth \$40m in Europe by 1995.

The applications and benefits audioconferencing is set to become one of the most important communications tools for the 1990s, helping people to run their businesses more effectively and save costs - not just the upfront expenses of air fares and hotel accommodation, but the below-line costs associated with the time, inconvenience and effort spent gathering people together in a single location and taking them away from their core activity.

Face-to-face meetings will not, of course, become a thing of the past but the physical presence of participants will not always be necessary. In fact, it will be possible for people to hold meetings more often, without adversely affecting the time spent on their core activities.

The improvements in the decision-making process could be dramatic. Using their own equipment, or the service of a bureau, businessmen can set up telephone meetings in whatever combination they like. It could be half a dozen executives, each in their own offices but linked together; it could be two groups, one in the London boardroom and the other in the New York office, or it could be one person, linked to many different individuals spread around the country.

Another application might be telephone broadcasting, using the telephone system like a radio transmitter to send a message to the whole workforce simultaneously. The broadcast can be turned into a phone-in programme, allowing key regional managers to quiz the boss on an important policy issue.

Users: audioconferencing is being used for crisis management in commercial operations. The AA and RAC are big users for control of traffic and general operations. It is also used in the professions,

such as law and management consultancy, where time is money and fee-earners must be seen to be offering a cost-effective service.

BT says that 25 per cent of its user base is in the financial sector, where audioconferencing is used for the early morning "prayer meeting," as well as for time-critical meetings, where, for example, dealers need to discuss how to react to a financial crisis before the news breaks.

A large proportion - around 30 per cent of users - is in sales and marketing, where audioconferencing is used for weekly briefings and sales update meetings.

The alternative is for the manager to ring each sales person individually or take everyone off the road to gather in one location, reducing their selling time. The cost, time and effort involved normally means it just doesn't happen," says Mr Gandy.

But what about the all-important psychology factor where face-to-face meetings enable those participating to determine what mood someone is in, or what their attitude is by interpreting body language?

"That is where the new technology plays an important part. Providing you know the person, you can tell their reaction by detecting the nuances in the tone of someone's voice," Mr Gandy suggests. "The technology, though, there are a number of audioconferencing equipment manufacturers, UK-based GFT Telecom being one of them, most tend to focus their marketing effort on the seemingly more glamorous videoconferencing market. However, those manufacturers whose products are marketed by BT are likely to be the market leaders, not least because BT claims 80 per cent of the £5.4m UK audioconferencing market."

As well as offering a Conference Call bureau service, BT has four products in its portfolio, with prices starting at \$680, and moving up the range in terms of sound level quality, duplex operation, and the number of people that can comfortably participate in a conference.

The low-cost entry unit for desk-to-desk audioconferencing is the AC2000 which is manufactured in the UK by Cairn-tek. For desktop or small roundtable conferences, the AC4000, manufactured by NEC of Japan and sold by them as the Voicepoint, is priced at £1,200, the price premium being accounted for by the marginally better sound level quality and duplex operation.

For bigger rooms, BT offers the ST3000 and ST5000 both of which are manufactured by US-based Shure - "the reason we offer a choice is so that customers can be provided with a system that is fit for the purpose in a particular environment," says Mr Gandy.

The other important element in the new generation of technology is the bridge which connects the telephone lines for multiple-location audioconfer-

Continued on page 9

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TELECOMMUNICATIONS IN BUSINESS 8

MOBILE TELEPHONY

Europe within calling distance

IN THE 1980s, mobile telephony was one of the most dynamic service sectors recording explosive growth in the UK and worldwide. But recently its growth has slowed - just as a new generation of digital mobile telephone systems are launched.

In Britain, so many customers bought mobile phones in the late 1980s that the two cellular telephone network operators, Cellnet and Vodafone, had to increase capacity to keep pace with the volume of calls. Helped by steady call charges and declining equipment prices Britain has ended up with more than twice as many cellular telephone users as Germany, France or Italy.

But after several years of spectacular growth, the UK subscriber base - which is dominated by business customers and small businesses in particular - grew by just 7 per cent last year to 1.33m, and both UK operators now have excess capacity.

This slowdown has come at a critical time for the industry which, as Mr Chris Gent, managing director of Vodafone says, "is very fast moving and changing." The cellular system in the UK, in operation since 1985, uses analogue technology, but in future two new digital systems will be also competing for customers in the mobile communications market.

□ The first, called Teletop, is an economy-style mobile system designed for travelling business customers, but its main drawback is that subscribers cannot receive incoming calls.

□ A second set of new services, which can also receive incoming calls, are based upon GSM (Groupe Speciale Mobile), a pan-European digital mobile

communications standard.

However, these new technologies have got off to a shaky start in the UK. Three of the original four consortia licensed by the government to offer Teletop services pulled out after sustaining significant losses and ending up with only 5,000 customers between them. Despite this the fourth, Hutchison Telecom, went ahead with the launch of its teletop service, and a satellite-based paging service, in April.

On a Europe-wide basis, however, most interest is focused on GSM which is viewed as the most important advance since the development of cellular phones. It is also changing the way existing European networks operate because many countries are using it to introduce competition for nationalised monopolies.

When they are operational the GSM services will make it possible to drive from one end of Europe to the other using the same cellular mobile telephone. Seventeen countries agreed to the GSM standard and set a target of July last year for the launch of a limited initial service.

Problems with the technology and other problems have resulted in some delays. However, several operators, including both Cellnet and Vodafone in the UK, have already successfully tested GSM systems. Mr Gent of Vodafone says the setting of original target was always "a bit tongue-in-cheek," but has, nevertheless, provided an important initial impetus.

Indeed, the first of a new range of GSM telephones manufactured by Orbitel Mobile Communications, the Vodafone/Ericsson joint venture equipment manufacturer, received UK approval at the

end of last month, ensuring that the first equipment for use on the new systems will be available to customers later this year.

Once operational mobile phone users will be able to make and receive calls on any GSM phone in any country covered by the system. Subscribers' details will be recorded on a smart card which will plug into a slot in a GSM phone. Having plugged in the user card the phone will adopt the user's number, and all calls will be billed to the card owner.

Because the system is digital, it should provide secure high quality voice and data transmission and enable system operators to offer additional features such as call hold, call transfer and messaging services.

The GSM systems in France, Germany, Scandinavia and the Benelux countries should become operational later this year, and Vodafone which launched its network in December, says it plans to have 90 per cent of its system in place by the middle of 1993. Cellnet, which is owned by BT and Securicor, has been also testing its GSM network and is planning to launch the service commercially next year.

But, in spite of its imminent availability, it is unlikely GSM services will replace the older analogue systems, at least not in the short term. GSM phones will initially be more expensive

than existing analogue cell phones and will also be much bigger, and heavier. Many mobile phone users are expected to remain on the analogue system and Mr Gent believes there will be a slow migration to GSM.

However, the GSM system operators, who are investing very heavily in digital infrastructure, are hoping for a quicker take-up of the other mass market digital services which they will also be able to provide. For example, Vodafone plans to launch a second service on the back of GSM called the Micro-Cellular Network, or MCN, which will be a low-cost urban-based portable telephone service aimed at domestic customers and is due to be launched in the south east of England in mid 1993.

MCN call charges are expected to be cheap, from only 10 pence a minute within a user's home town, to 20 pence a minute for national calls putting the service in direct competition with fixed telephone networks. MCN subscribers who travel will also be able to access the nationwide and pan-European GSM service, but at premium rates.

Mr Gent believes MCN and similar services will make mobile telephony available to many more people. He admits that MCN is being launched in part as a response to the competition for the domestic market expected from other new digital systems called Personal Communications Networks.

In 1989, when the UK government asked companies to apply for PCN licences, companies rushed to compete, buoyed by predictions of 10m customers by the end of the decade, and the belief subscribers would swap their ordinary phones for

PCN's pocket-sized personal handsets.

But since then the UK economy has plunged into deep recession and the need for heavy investment has frightened many of the original shareholders, leading to delays in starting the new services. Two of the original three consortiums awarded PCN licences, Mercury Personal Communications and Unitel, recently agreed to merge, while the third, Microtel, was sold to Hutchison Telecom.

PCNs will use pocket-sized high frequency radio phones over short distances to link users to traditional telephone exchanges via a system of relay stations. Their proponents argue that PCN has a number of advantages over GSM, including smaller phones, and a greater network capacity because calls are smaller, and so the same frequency spectrum can carry a greater volume of calls.

These new digital services, together with the advanced satellite paging systems, promise a second revolution in business mobile telecommunications. But although GSM will be a European-wide system, the dream of being able to use a phone anywhere in the world is still some way off.

Although Australia, New Zealand, and some Middle Eastern and African countries have shown interest in GSM, Japan and the US have chosen different standards. A truly worldwide mobile telephone system may have to wait for a third generation of systems, the long-awaited universal mobile telephone system, or UMTS, which could be introduced by 2000.

Paul Taylor



DATA TRANSMISSION VIA TELECOM LINK

A NEW E3m telecom link is solving "stockout" problems - and subsequent loss of sales - at Mothercare, the high street retailer. Pictured here is Richard Glanville, commercial director of Mothercare, inaugurating

the electronic point-of-sale (Epos) system at the company's Brent Cross, London, store by selling Babar the Elephant to Carolyn Nimmy, technical director of the software system supplier, Hoskyns

Insight. Special polling software enables Mothercare's IBM AS/400 computer at its Watford headquarters to take data straight from the tills in its 255 stores via telecom links for overnight analysis.

Colour fax systems on the way

Prices of machines continue to tumble

IN little more than a decade, facsimile machines have become an integral part of most offices and a vital communications tool. Now they are appearing in homes, cars and even brief cases.

Fax machines are also becoming faster and more sophisticated, and they are being integrated with other office equipment such as laser printers and desktop PCs, and new value-added communications services are being built around them.

Equipment sales grew rapidly in the 1980s and, in spite of the recession, they have been buoyed more recently by the advent of plain paper fax machines and the emerging consumer market, targeted by the mainly Japanese hardware manufacturers.

As prices continue to tumble, some analysts believe that by the mid-1990s, one in three fax machines sold will be for personal use. Many of these small, desktop machines combine the functions of telephone, answering machine, photocopier and facsimile and can switch between voice and fax and need only a single line.

Today, there are an estimated 15-20m fax machines worldwide, a number which is expected to grow to over 30m by the end of 1993. Most are of the Group 3 industry standard and can send an A4 sheet across the world in seconds for the price of a telephone call.

The biggest installed base is in the US, but according to the British Facsimile Industry Consultative Committee, which represents suppliers, there are more than 900,000 machines in the UK and two out of every three employees have access to a fax terminal.

Fax-usage is also increasing. The UK market will be worth about £750m this year and is growing by about 30 per cent a year compared to five per cent for voice traffic.

One reason for this rapid growth is that fax machines are relatively simple to operate. Nevertheless, there is a trend towards more sophisticated machines and features like number memories, one-touch and speed dialling, automatic paper-cutter and activity reports are increasingly regarded as standard, even on basic machines.

Some machines can now store a fax for transmission later, others remember messages when they have run out of paper, can be operated remotely, or have the ability to "broadcast" a fax to multiple destinations.

A new machine from Yamaha can read a file from a PC floppy disk and then send it as a fax while others can read, send and store faxes from optical disks.

Meanwhile, Sony will this month begin to market a 1.5kg battery operated portable fax in Japan which can be connected to a cellular car or a pay phone, send an A4 sheet in 20 seconds and display incoming faxes on an LCD screen.

Colour fax machines are also just around the corner. Several Japanese manufacturers have announced colour machines although Sharp is the only manufacturer to unveil a Group 3 desktop colour machine which will work on a standard telephone line.

The Sharp FO9000, which will be available shortly in the UK, can transmit an A4 colour

photograph in three minutes and print from a palette of 255 colours using a high quality dye-sublimation print engine.

Colour machines are expected to meet a specialist need, rather than replace mono faxes, but plain paper faxes are gradually replacing the traditional thermal machines, with its rolls of expensive paper which crumple easily and eventually fade.

Although they are generally more expensive than thermal machines, the price difference is narrowing and plain paper, like used in photocopyers and laser printers, is cheaper.

Indeed, the distinctions between fax machines and other office equipment are becoming blurred. For example, Xerox and other manufacturers have recently launched plain paper fax machines that double as photocopyers and Fujitsu's Faxjet turns a LaserJet compatible printer into a fax receiver.

Plug-in cards and external fax-modems are already providing portable computers, desktop PCs and networked PCs with the power to send and receive faxes.

There is also growing demand for faster fax transmission to cut labour, time and phone costs. Some Group 3 machines already operate at 14,400 bits per second (14.4k bps) over the public switched telephone network and can receive or send an A4 page in about six seconds. There are

Today, there are an estimated 15-20m fax machines worldwide, a number which is expected to grow to more than 30m by 1994

also a few Group 4 faxes which were designed to operate on ISDN (integrated services digital network) circuits at 64k bps, transmitting an A4 page in 3-4 seconds.

But although Group 4 faxes have been around since the mid-1980s the introduction of ISDN has been much slower than expected.

In the meantime, the transmission speed of Group 3 machines has been further enhanced and an alternative 64k bps standard has emerged called either Group 3bis or G3+.

While its advocates are not suggesting that Group 3bis machines will be much cheaper than Group 4, they do argue that the Group 3bis approach will make it easier for faxes to work on both the ISDN and the public switched telephone network while offering the same speed, resolution and other improvements as Group 4 faxes.

In another important area, that of error-free transmission, an industry standard was adopted in 1988. Machines complying with the standard automatically resend corrupted sections of a message, ensuring that users can be confident that a document will reach its destination ungarbled.

Meanwhile, some telecommunications groups have seized the opportunity to generate additional income by offering value-added services to fax customers.

For example in the UK, BT offers its voice-promoted Faxurfax service while in the US American Telephone and

Telegraph offers a similar subscription service called EnhanceFax which enables customers to broadcast a fax, virtually simultaneously, to as many as 10,000 fax machines via nodes in the US, Canada, the UK, Japan and Hong Kong.

The service came to prominence during the Gulf war, when more than 1m messages were sent to troops in "Operation Desert Fax".

In the UK, Vodafone's Vodata unit began offering an adjunct to its audiotex service a year ago called Vodastream Fax service. This facsimile-based information delivery system can either be used by people to call in by fax to a central number and receive back a fax from the information provider, or by the provider to send multiple fax copies to a list of recipients.

The service is currently used by, among others, the Met Office for weather information for pilots and yachtsmen and by the Central Statistical Office to distribute government information.

The Vodastream service also has a fax mailbox facility where messages can be left and recalled later by the intended recipient using a fax machine from anywhere in the world.

Mercury's managed fax service in the UK, called Surefax, is a particularly sophisticated set of value-added services aimed at multinational customers and launched by the Cable and Wireless group subsidiary in October.

Mr Paul David, business development manager in Mercury's messaging division, says it was designed to provide cost effective solutions to many of the problems business customers complain about like busy and dropped fax lines, costly redials and paying unnecessary premium rates to send non-urgent faxes during peak periods.

Mercury claims its Surefax switch is the largest in the world with a capacity to handle over 18,000 fax pages an hour. Eight months after its launch it is already handling about 3,000 fax messages a day, with an average length of 3.3 pages.

Documents can be sent to the Surefax switch - a kind of automated fax exchange - from an ordinary fax machine via a special socket, or direct from a desktop PC, for passing onto single or multiple recipients either immediately, or sometime later.

Among its other features, Surefax ensures "a never-busy fax line" and will automatically retry a recipient's line until the fax is sent. If transmission is lost or garbled, it will resend only those pages that are missing.

One significant growth area targeted by the Surefax service is PC-generated faxes. It is estimated that in the UK about 80 per cent of all faxes begin life as a wordprocessor file on a PC. But the document is usually printed out before being loaded into a fax machine for delivery.

Only two per cent of fax traffic is sent directly from PCs, but Mr David says "we are convinced this is going to change."

Eventually, he expects up to a quarter of all faxes to be sent directly from a PC or from a computer network.

Paul Taylor

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TELECOMMUNICATIONS IN BUSINESS 9

SMART PHONES

A demand for more user-friendly systems

Telephones are starting to seem very old-fashioned compared to personal computers, says George Black

WHILE PCs have progressed rapidly with graphical user interfaces, telephones have remained distinctly unfriendly. Today's feature phones are not much more advanced than conventional phones. As far as most people are concerned, the last great leap forward was the replacement of the circular dial by push-buttons.

Most private automatic branch exchanges (PABXs) support a number of telephone features intended to make the user's life easier, especially if he or she is a senior manager under pressure. These include liquid crystal displays giving details of incoming and outgoing calls and dedicated function and programmable keys which can store numbers for access by pressing a single key. More numbers can be stored in the exchange and accessed by short codes.

If an internal number is engaged, the exchange can be automatically instructed to call back when free.

Conference calls can be set up and a built-in microphone can leave both hands free during calls. Secretaries can keep track of a group of lines to see which are engaged and alert a manager to another incoming call.

But most such features are little used. According to Mr Paul Turtan, a senior associate at technology consultancy CSC Index, over 90 per cent of them are never used and less than 10 per cent of people use any of them regularly.

On internal training courses it often emerges that many people cannot even perform simple operations such as call transfer, pick-up, retrieval and diversion.

Financial directors are reluctant to spend money on more complex equipment which staff are even less likely to use. Prices for feature phones are still high.

The simplest analogue feature phones with a few basic functions cost £30-£50, compared to around £10 for the most basic telephone on the market.

Digital feature phones are in

the range of £200-£300, so they will not be spread around unless there is a good reason. The problem is partly one of training. Senior staff who could most benefit from knowing how to use their telephones fully are the most reluctant to go on training courses. But the main reason is that the machines are still too hard to use. Manufacturers have crammed in too many features without adequate instructions and users are not surprisingly confused.

Ms Susan Dark, group product manager for Mercury Communications, thinks that many more types of telecommunication services will be used once the telephones themselves become more user-friendly.

"Telephones need to become much more like personal computers," she contends. They are about to do so. The next generation of smart phones may reach the European market next year.

These devices with built-in microprocessors and much improved displays are now being tested by a number of manufacturers around the world.

ONE of the most important trials is to be conducted in the US by AT&T later this year with Huntington National Bank, a regional bank based at Columbus, Ohio.

The service is aimed mainly at home banking and home shopping applications.

AT&T envisages that the services on which users will be most keen will include transferring cash between accounts, reviewing their cheque payments, paying bills and checking investment rates.

The prototype of AT&T's smart phone - the name is generic and attempts to trademark it have been blocked - has an angled touch-screen measuring 6 ins. by 4 ins. and plugs into the telephone line through a transformer to provide the power to light up the screen.

Its internal memory maintains programs for a year, in the event of a power cut. Inside, the smart phone is said

to look almost exactly like a PC. The touch-screen displays columns of autodial button images which form a menu-driven system similar to that of a PC.

For instance, an autodial button might call up a range of pre-set services, ask the user to choose one and then automatically call that number. The touch-screen can also be configured as a keyboard in several formats for entering data. The smart phone will also offer the range of facilities that are provided by today's feature phones in a more accessible format. It will be able to store over 200 telephone numbers.

AT&T's version has a built-in modem which allows the phone to communicate via a service platform of hardware and software with the computers of a bank, travel agency or other service provider.

A key element is the protocol for communication between the smart phone and the service platform. AT&T says it is considering placing its protocol in the public domain to encourage the development of the market.

Mr Mike Grisham, AT&T's strategic planning manager at Bell Laboratories in New Jersey, has been leading the company's smart phone project since the early 1980s.

He believes that AT&T will be first to market with the new machines, but others will not be far behind.

The manufacturers say it is hard to predict when the smart phone will become a mass market. The key to creating that market appears to be agreements between the manufacturers and potential service providers. AT&T is at present in talks with some such companies in the US, Europe and Asia and plans to launch experiments in Europe in 1993.

European manufacturers such as Philips and Alcatel are expected to join the market soon after. Their machines may well have very different designs. Far Eastern manufacturers are expected to follow and help to bring down prices, which will be crucial.

George Black

STOCKBROKERS FIND BETTER WAY TO UPDATE CLIENTS



NCB newsletters are sent electronically to customers each Friday

Before the introduction of Enhanced Fax to the operation, just over a year ago, NCB used a fax card in a PC to communicate the weekly update to its clients. Although adequate, NCB found its original system

time-consuming and costly. As Noel Doyle, the telecommunications manager at NCB, points out: "Using a fax card in a PC was a feasible way of communicating with a small to medium-sized client-base, but as we grew

and numbers increased, this method became cumbersome." NCB has found that the application of AT&T's Enhanced-Fax has brought cost-savings and cut administration time. The company simply keys in the

list of its customers into a "mailbox" node at EasyLink, where it is stored.

Since the list is held at EasyLink and not in the PC, time spent on the line sending the fax, is reduced considerably.

The Enhanced-Fax "broadcast" facility uses AT&T's dedicated international fibre-optic network. The digitised transmission has an automatic error-correcting protocol which ensures a higher-than-normal quality of transmission.

NCB staff no longer have to undertake a laborious Monday morning routine of manually scanning for transmissions that failed to be sent. If, for example, the receiving fax terminal was not in operation.

With E-fax, the days of cross-checking more than 200 fax deliveries are over, since a fully comprehensive report is issued to NCB indicating any faxes that remain undelivered.

IN BRIEF

Lost calls mean lost business

A COMPANY with an average sales revenue of £25 per call, losing only ten calls a day through operators being busy or absent, will have lost a potential of £5,000 in a month and £60,000 by year-end.

The recognition by the business community of the importance of effective call-management to their service performance - and hence their profitability - is reflected in the growth of the automatic call distribution (ACD) market.

Philips Business Systems, says that serviced-calls companies - which now account for 59 per cent of Britain's total Gross Domestic Product - face potential revenue losses of millions of pounds a year because they answer the phone inefficiently.

ACD systems reduce waiting times and spread the workload more evenly among operators. Apart from giving call-traffic flexibility, they also generate valuable management information for such serviced-calls businesses as banks, airlines, travel agencies, hotels, booking agencies, mail order and credit companies.

Mr Stewart Judd, senior policy adviser at the Confederation of British Industry, says that as the UK's economy becomes increasingly meshed in the information age, "many businesses have become more dependent on the speed and effectiveness with which they answer queries and provide quotations, demonstrating that the organisation meets the highest standards of quality and service."

Research by Philips shows that a business handling more than 300 calls a day would normally recover the cost of installing an ACD system within six months while increasing the productivity of phone operators by around 30 per cent.

The type of companies that benefit most from these systems are:

- Where there is a group of people mainly taking incoming calls.
- When customers want a service, not a person.
- Where there is a need for performance indication.
- When there is a need to balance the call-load.
- Where incoming calls generate revenue.

Restructuring assignment in Bulgaria

TOUCHE ROSS, the UK management consultants, has been awarded an £880,000 contract to assist in the redevelopment of the telecommunications market in Bulgaria. The project, part of the European Community's PHARE programme to fund reconstruction in central and eastern Europe, will be carried out in conjunction with the Danish Telephone Company.

Touche Ross will make a financial review of Bulgarian Post and Telephone Company and project its performance over the next five years. Their findings will be passed on to the European Investment Bank and the World Bank. The consultants' tasks are

also to assist the Bulgarian telecommunications authority to set a new tariff structure and to put in place a new, commercially-orientated financial management system to replace ageing and inadequate practices, allowing the Bulgarian company to monitor its performance in the new commercial environment.

Fax costs not well controlled

THIRTY-ONE per cent of respondents to a survey of FT Top 500 companies have increased their usage of fax systems over the last year, despite the recession. And 91 per cent believe that fax machines have helped to increase their productivity.

Regular fax users among the FT Top 500 companies and the US Fortune 500 companies now send an average of 40 documents a day, with UK companies receiving an average of 61 documents a day.

These are some of the main findings of a Gallup international survey of fax usage, commissioned by Pitney Bowes, a leading independent supplier of fax machines.

Fifty per cent of UK users have thermal fax machines; among respondents who do not

have a plain paper fax, 29 per cent wanted such a machine (63 per cent in the US and 32 per cent in Canada). The survey also shows that costs of faxing were not well-controlled - "while fax usage has increased considerably, operational costs are not being controlled," says Meredith Fischer of Pitney Bowes.

Thermal paper, for example, is relatively expensive, tends to fade and has to be copied if it needs to be kept. At about 1.7p per copy for paper and toner, that can add more than £950 a year per machine.

In the UK, 94 per cent of transmissions are made during normal business hours, with 27 per cent likely to be sent in the morning at peak charge rates - despite features such as delayed transmission which enables non-urgent documents to be sent at off-peak rates.

Frustration over "faxlock"

FRUSTRATION arises in many offices when staff try to send fax messages to busy fax machines - a problem sometimes known as "faxlock" which can prove expensive in terms of lost orders and business opportunities.

But with computer fax

systems, the fax message does the queuing, not the expensive office worker.

Ascom Telecommunications of Camberley, Surrey, have made a cost comparison between sending faxes manually versus computer-faxing. Even assuming that the machine is not busy with an out-going or incoming message, it can take about 10 minutes to send a fax manually, once it has been prepared.

So, if the salary of the sender is £10 an hour, each fax can cost £1.60 in manpower alone - and any business sending 25 faxes a day will waste £40 a day or £10,000 a year.

Buying more fax machines is the easy palliative for "faxlock" but it does not address the underlying problem, says Peter Champion of Ascom - "the answer is staggeringly simple: let the computer itself send the fax... instead of printing it out on paper, and then having expensive people queue up to feed it into the fax machine."

Phone system for small businesses

A TELEPHONE system suitable for small offices and businesses has been launched by BT - the "2+8" system, offering two

lines and up to eight extensions was trailed on a wide range of businesses such as doctors' practices, dental surgeries, farms, dairies, print shops, leisure centres and homes for the elderly.

While offering the benefits of a large "start-of-the-art" switchboard, the easy-to-use "2+8" is a fraction of the cost of larger systems - prices start at £445, although a typical 2+8 system with lines, four extensions and a "system-phone" (which allows users to take advantage of advanced features) costs £262, plus VAT.

Ann Brogan, BT's voice products manager, says: "The price of the 2+8 and the fact that it can be used with ordinary telephones mean that a customer can go from having no telephone at all to having the best on the market without any significant investment."

"The aim is to give users real freedom as to how they set the system up - whether they want to buy, rent or lease."

Features of the flexible system include universal line access (for fast call-making and taking by any extension); operator control; a dedicated line; intercom calls; using the systemphone; and hold/transfer/enquire facilities.

Michael Wiltshire

Video-conference network saves hundreds of man-hours for Citibank Transatlantic link offers big benefits

CITIBANK'S European headquarters in London is to upgrade its international video-conferencing facilities to provide pictures to near-broadcast quality.

Video links have now been established with the bank's offices in New York and on the west coast of the US, as well as the Middle and Far East. Frequently, as many as 12 Citibank staff in London take part in transatlantic face-to-face video-conferences, with a similar number taking part in New York. The bank saves an estimated 300 man-hours of travel time by a single meeting of this kind.

Citibank, a subsidiary of Citicorp, one of the world's largest financial institutions with assets of \$230bn, has representation in 100 countries with 800 branches in Europe alone.

Prior to the setting up of the video-conferencing network early last year, senior executives at Citibank's London headquarters found it very difficult to find time for essential meetings with colleagues in the bank's head office in New York.

Howard Mills, head of graphics and audio-visual support services and George Blake, vice and communications manager, were made jointly responsible for setting up the video-conferencing facility when the decision to install the system was made during the Gulf War crisis. A video-conferencing network was already operated by Citicorp in the US, but the threat of terrorist activity during the Gulf crisis meant that Citicorp executives

- like those of many other US corporations - were grounded. Mills and Blake were given the task of setting up the video operation in London as quickly as possible; the contract for the work was given to Internet Technology of Bristol.

Internet also supplies video-conferencing solutions throughout Canada, via its subsidiary, Internet Technology, based in Montreal.

The company is also UK distributor for Comression Labs, a leading supplier of video codecs, the devices used to compress and digitise video and audio signals for transmission over standard digital telecommunication circuits - a technique that dramatically reduces transmission costs.

The new network won immediate acceptance by London executives and has since proved "a very viable alternative to expensive and time-consuming transatlantic travel," say users.

Citibank's chairman in New York has used the link to address groups in London. And recently a cable run from the studio to a video projector in the Strand office's restaurant enabled a gathering of 150 Citibank staff in London to exchange views with the head of the corporation.

The London studio can set up video link with only about an hour's notice. The facility, which is used for about 70 hours a month, will probably attract even more users after the upgrading project is completed.

Michael Wiltshire

Satellite networks cut costs

COMPANIES needing high quality telecommunications at lower costs are increasingly considering services provided by satellites, particularly in the US.

Ninety per cent of the costs of running an integrated satellite business network (ISBN) is fixed and predictable, claims Hughes Network Systems which provides networks for companies to communicate through data, voice and video to remote sites.

Hughes - a subsidiary of the Hughes Aircraft Company in the US - has developed VSAT (very small aperture terminal) technology, using small dishes for two-way communications.

Equipment at remote sites supports a variety of user applications, via packet-switching and local area network technology, plus business TV reception. Typical users in the US include Chrysler, the car manufacturer; Wal-Mart Stores, the national retail chain; and Chevron, the petrochemical company.

In the retailing sector, VSAT technology is being applied to "TV Answer", the interactive video pioneer at Reston, Virginia. Hughes are installing 1,000 satellite terminals for the company, to allow TV viewers across the US to access their bank and brokerage accounts and respond directly to broadcast promotion offers.

"Once it was something of a dream to be able to retail via consumer TVs," says Hughes. "Now, with the systems similar to those at 'TV Answer', it's a reality - and, because it's a low-cost satellite system, it could now be applied quickly in Britain without high level investment."

facilities will enable an operator to take control of conferences, bringing people into a meeting and taking individuals out as the conference progresses; send faxes to each participant simultaneously; and use the keypad to access a bureau service, as and when required.

The availability of ISDN (the integrated service digital network) adds further dimensions to desktop-to-desktop audioconferencing. Among the benefits will be stereo-quality sound,

since ISDN provides a 7KHz frequency range compared with the 3.4KHz maximum offered by public switched telephone network (PSTN), with no crackles on the line to drown out speech.

Also, it will be possible to have audio with simultaneous multimedia transmissions, using one of the two 64K channels on the ISDN line for voice and the other for fax or data transmissions.

Julie Harnett

Audio-conferences in stereo-quality sound

Continued from page 7

ending. Bridges are modular in concept, starting with a five-line bridge costing £3,000 that can connect five locations into the conference.

There is no theoretical top limit to the number of bridges that can be provided. The limit comes with meeting dynamics. BT tends to find that the optimum size using their computer controlled bridge, the PC Elite is 40 lines. As to operating costs, through the bureau service the average audio-confer-

ence call charge is between £25 for local area point-to-point call and £85 for an international call. Obviously, calls from user premises will be at the normal telephone rate.

According to Malcolm Bartlett of NEC (UK) Telecoms Division, the cost of the equipment could be covered if just two executives can avoid having to cross the

Developments in audioconferencing as a business communications technology are continuing apace. Enhanced

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TELECOMMUNICATIONS IN BUSINESS 10

ISDN

Milestone for integrated services

After twelve years of promises and many missed deadlines, it looks as if ISDN, the Integrated Services Digital Network, really will be 100 per cent deliverable throughout the UK by the end of 1992, as a full national dial-up, integrated voice and data service, says Julie Harnett

THE important milestone for ISDN in Britain will be reached when all BT switching centres are digitised and the so-called C7 signalling programme has been completed, with Mercury and BT ISDN networks fully interconnected.

Another milestone will be reached in 1993 when the Normes Européennes des Télécommunications (Net) ISDN standard is implemented, creating one common European ISDN network with all systems operating to the same set of regulations. This will enable companies to use the same ISDN equipment throughout Europe.

ISDN is available to all businesses in France, Germany, Japan and Singapore. In the UK, it is available to 86 per cent of homes, with users currently able to connect to 24 networks in 16 countries.

In the US, according to Bellcore, availability now is 40 per cent of all phone lines, with 60 per cent not expected to be reached until 1994.

But while some say ISDN is one of the most important developments in telecommunications since Alexander Graham Bell invented the telephone, sceptics say it is a solution looking for a problem and will take up to 10 years before it is accepted by the wider community, if ever.

Take-up has been slow to date but, without the all-important infrastructure, that was to be expected. Many potential suppliers argue, however, that the problem is a deeper one.

As Don Winston, general manager and vice president of modern manufacturers, Microcom UK points out: "Take-up of ISDN will not happen until it can offer customers benefits they do not already have, or something they have but for less money."

At the moment, it does neither. As a result, the dial-up modem business is still growing by 25 per cent a year, with modems capable of transmitting data at 57.6kbs (kilobits per second), not far off ISDN's 64kbs.

"When the CCITT (the Comité Consultatif International de Télégraphie) has finalised the V-Fast standard, transmission times will be pushing close to 100kbs. If ISDN is the way to the future, why are such techniques even being considered?"

Reid Meintzer, director of sales and marketing at dealer-board suppliers, IPC Information Systems, believes lack of enthusiasm for ISDN among communications managers in the City of London is largely the fault of manufacturers who rushed into the marketplace with products that were not ready.

His point is echoed by Peter Edmondson, product development manager of fax suppliers, Canon UK, who also lays the blame partly at the door of the media: "Over the past 4-5 years, expectations have been raised too high. It is almost here now and it is a useful practical tool, if there is an application for it. The point about ISDN is not that it can be used for data communica-

tions without the need for a modem, but that it provides the infrastructure to support a whole new generation of integrated computer and communications applications, enabling us to communicate in ways we have not even dreamt about yet."

The ISDN connection

An ISDN connection is made up of two types of communication channel: bearer channels (called B-channels), each offering 64kbs capacity transmission rates to carry information from terminal to terminal; and 16kbs signalling channels (called D-channels) that carry the messages that establish and control the call.

Primary Rate ISDN30, also called 30B+D in Europe (23B+D in the US), is used mainly for voice calls by large companies with advanced telephone systems (ISPBs) and provides a 2mbps (megabits per second) interface to the digital network.

Facilities and applications

ISDN2 and ISDN30 both offer certain facilities that are not possible on the conventional PSTN (public switched telephone network). They include calling line ID; sub-addressing for routing calls to a particular terminal; call diversion; and three-way calling.

However, before making an investment in either service, businesses would need to justify the application. For the true benefit of ISDN is not simply that it offers improved features, higher quality speech and more sophisticated routing and connections; or even that it offers higher speed, error-free file transfer with high speed call setup.

Its advantage is that one network can support multiple applications, with users able to transmit speech, data, graphics and video communications over a single line and to plug any type of terminal into one type of socket.

Up to eight terminals can be connected to each ISDN2 line, with two items able to communicate simultaneously. Also because one network can be used for multimedia applications, rather than two or three different networks, time and cost spent on network management and maintenance is reduced.

ISDN, together with intelligent switch software, also enables the creation of sophisticated services such as virtual private networks (VPNs).

New equipment

A range of equipment is now being made available by equipment suppliers, often with assistance from BT on issues such as standards, approvals and marketing.

On the BT list of companies which can supply Terminal Adapters (TAs) with full BART approval are Craycom, Dataflex, Fivemore, Gandalf, Gravcom, IBM, Jaguar and Newbridge Networks.

Slot-in line cards which transform personal computers

into ISDN terminals are available from Fujitsu, Maxim Networks and Network Designers. Group 4 fax machines are available from BT, HCS Infotec and Ricoh. Video-conferencing is available from BT, GPT and PictureTel.

There are a number of collaborative ventures under way to supply multifunction and multimedia ISDN-compatible terminals. Olivetti and BT, for example, have signed a joint development agreement which will address the needs of banks and financial institutions, with trials starting this summer in the UK and other European countries.

Telecoms system manufacturer GPT has worked with modern manufacturer Hayes Microcomputer Products to produce the Connect ISDN terminal which offers plug-in connection for personal computers.

This makes it possible for any machine with a serial port to transmit down an ISDN 2 line at 38kbs; with an optional X.21 interface making possible PC transmission at full 64kbs, as well as Group 4 fax or video-phone transmissions.

Modern manufacturer Dataflex Design and Symcor have collaborated to provide an ISDN TA that offers X.25 connection to ISDN 2 service from a standard PC card. Not content just to announce an ISDN product, Dataflex Design ran tests at a public exhibition to compare the times taken to transfer a 50,000-byte data file desktop to desktop over the two main networks.

Using various modems for connection to the PSTN, it took between 25 seconds and four minutes to transfer the data plus up to one minute to establish a satisfactory link. With V.24 TAs over a BT ISDN2 link, it took 15 seconds plus one second to establish a constant error-free link.

For users sending data files on a regular basis, the transmission cost savings could be substantial, despite the premium paid for the ISDN connection. Keen to encourage more business users to move over to ISDN, BT has just launched a range of low-cost TAs manufactured by Northern Telecom, priced at around £135.

Aimed at small businesses, telecommuters, retail outlets and educational establishments, they will allow users to connect personal computers, point-of-sale terminals, LAN servers, multiplexers, fax and video-conferencing equipment to the ISDN network without having to re-invest in new equipment.

Power computer users

Sun Microsystems is targeting the power computer users in the fields of engineering and design with their new SPARCstation 10. While it is not the first ever integrated data/voice workstation, it is said to be the first of a new generation of desktop systems with built-in ISDN capabilities.

The reason for the development is that Sun believes ISDN will become as prevalent as Ethernet is today and is, thus, the logical choice for integrat-

ing computers and telephones into a global, standardised digital network. By adding telephony control to the desktop computer equipped with a graphical user-interface, ease of use by all is assured.

The costs of ISDN

While ISDN gives users flexibility in the type of terminals that can be used and the type of communications traffic that can be transmitted, the costs of the service in terms of connection charges and rental costs will be critical to widespread acceptance.

There will, for example, be a break-even calculation to be made to determine whether the digital public switch network or private circuits would be better for corporate users. A rough guide is that, if the lines between two points are in constant use throughout the day, it makes sense to have a dedicated link, because calls are free of charge.

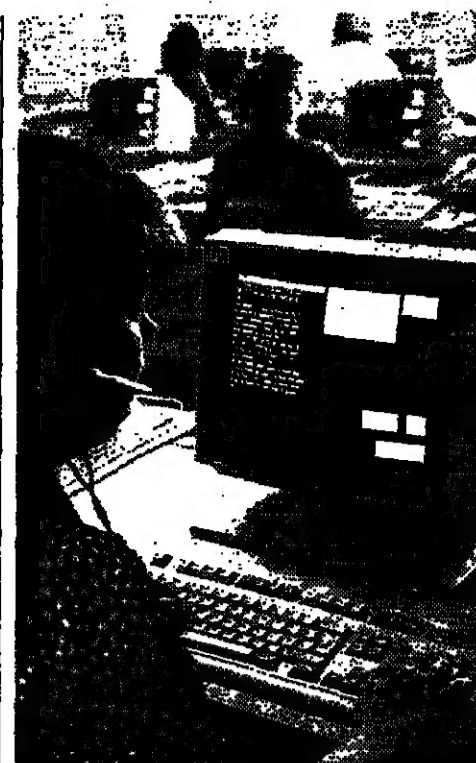
However, if the links are only in operation part of the day, a fixed link is an expensive option. BT makes a connection charge of £400 for ISDN2 (for 2 channels) with a quarterly rental charge of £24. ISDN30 is charged at £152.75 connection and £22.12 per quarter per channel (minimum 30), with extra charges for each facility required. Call charges per channel are at the normal voice rate for inland calls and

higher for international data calls. A private link between, say, London and Aberdeen would cost £8,622, including the £320 connection charge in the first year; £7,772 for rental only in year two. To reach that cost level using ISDN, you would need to make 121 standard rate (91 peak rate) three-minute ISDN2 calls a day in the first year and 1,114 standard (86 peak) in year two. Assuming a 5-day week and a 52-week year, it would cost £1,310 a year for 20 average 4-unit duration ISDN2 calls per day at standard rate, £3,932 a year for 60 and £10,496 for 160 a day.

Mercury's offer

Many product suppliers have voiced their disappointment at BT's charges, perhaps hoping that there would be concessions to kick-start take-up. By the end of 1992, greater competition from Mercury may be the spur. While BT offers either ISDN2 or ISDN30, Mercury is about to offer a lower entry point for medium-sized business. Charges will be £1,380 for installation and £1,710 annual rental, with each line thereafter costing £92 to install and £114 annual rental.

When you get to 30 lines, the cost is £2,760 for installation (a saving of £495 on the BT charge) and £3,420 per year rental (an 11 per cent annual saving).



New world of communication for deaf people

DEAF people who use text-phones now have a new world of communications opened up for them with the introduction of "Typetalk". The telephone/text service, developed jointly by the Royal National Institute for the Deaf and BT, with £4m BT funding over three years, was launched this month.

Pictured above, left, is Tricia Parry, an operator who converts the spoken word into writing in the Typetalk switchroom at Speke, near Liverpool. Pictured right is Dr John Stuart, who - thanks to Typetalk - is now able to

carry out his work more quickly and efficiently. Dr Stuart, who is the hazard information officer at Manchester University, reads incoming conversation on the screen of his terminal, but uses the mouthpiece to speak directly to the caller.

Typetalk calls are relayed to and from text-users through the UK to hearing people worldwide. The new service is available round-the-clock as specially trained operators relay text messages to hearing customers and return the spoken reply by text.

In most cases, the cost of the call is no more than a hearing person would pay by calling direct.

There is a rebate scheme, funded by BT and operated by Typetalk, entitling users to claim back 60 per cent of the cost of non-business calls from one phone line, up to a maximum of £160 per person a year.

More details on the service are available from Typetalk, at Pauline Ashley House, Ravenside Retail Park, Speke Road, Liverpool, L24 8QB

Michael Wiltshire

Trading data with business partners

Orders at the press of a button

EDI (electronic data interchange) systems, which rely on telecommunications, can create information networks between retailers and manufacturers, allowing both to align their operations more closely to sales patterns.

These networks replace laborious paperwork by transferring orders and invoices between computers in the retailer's depot and those in their supplier's warehouse - all at the press of a button.

Users of these systems range from high street food retailers to air-cargo operators, as applications have developed rapidly over the past two years, according to Ovum, a consultancy specialising in telecommunications market and policy work.

In its latest EDI market forecasts for Europe, Ovum suggests that growth is close to 45 per cent a year. Although the UK has led the way in EDI applications, the rest of Europe is catching up fast.

Two years ago, Britain accounted for 60 per cent of European EDI-users. Now, the proportion is down to 40 per cent.

This trend is expected to accelerate sharply with the wider European market as companies, large and small, realise the benefits of using EDI technology.

The number of users in the UK was 12,000 in 1991 and is expected to reach 65,000 by 1995 according to both Ovum

and BIS Strategic Decisions. The latter further projects that the number of European users will have reached 110,000 by 1996.

Only about two per cent of European EDI traffic is international - both within and outside of Europe - according to industry analysts.

Nevertheless, international traffic is likely to grow faster in Europe than elsewhere due to the progress of European trade initiatives.

Sending orders and invoices electronically between companies is now a crucial facility for many business sectors

The EC's Trade Electronic Data Interchange systems programme, TEDIS (launched in 1987) was instrumental during its three-year span to 1990 in creating the infrastructure for the launch of the EDI concept in Europe.

The second phase, lasting until 1995, is supported by an EC budget of Ecu 25m and will consolidate the advances made in the fields of standardisation, telecommunications, law, security and services in general.

Ovum, in conjunction with Belgium consultancy, KCOMS International, has been awarded the TEDIS European EDI Inventory Project.

This will gather data from a number of organisations, both

national and international, currently engaged in EDI activities.

The information will be computerised and updated during the 3½ years of the TEDIS II programme.

The outcome should be the most up-to-date and reliable source of EDI information: this database is designed to become a standard reference point for EDI developers, service providers, public bodies and private companies throughout Europe.

Information from this project could well be of immense value to potential users and thus boost EDI usage.

In the UK, INS and AT&T Istel, dominate specific sectors - the former being the key player in retail and distribution; the latter in manufacturing.

The INS "EDI Community" has a membership of 3,253. Its list of members is classified into "trading clusters," i.e. organisations using INS EDI Services to exchange commercial documents.

However, one of the problems in this apparently neat and tidy classification is that many companies on the list

actually use its services to trade electronically with several trading clusters. Thus, INS recognises that industry-by-industry vertical demarcations are breaking down even though there is no universal inter-connectivity.

The challenge, according to Michael Naughton, chairman of Applied Network Research, is "the 80/20 rule of EDI - 80 per cent of your transactions are with 20 per cent of your suppliers. But, what about the remaining 20 per cent - do they stay manual?"

The trading partnership between MD Foods and Tesco is a good example of the upside of that rule. One of the world's top dairy producers - the Danish company, MD Foods - was the first of Tesco's overseas suppliers to join the growing EDI community by taking advantage of INS-Tradernet's international facility.

It is owned by the 14,000 dairy farmers who annually supply it with 70,000 tonnes of butter (its Lurpak butter accounts for nearly 20 per cent of the UK market), as well as more than 200,000 tonnes of cheese.

Though electronic trading is not new to MD Foods, the company's marketing systems manager Aksel Poustrup points out: "Electronic data interchange is very important to us. Tesco is the first of our international customers to trade electronically with us, but we're keen to extend the use of EDI to other retailers in the UK and Europe."

"In doing so, we can capitalise on the substantial technical benefits that we have already seen on a domestic scale."

Even though it is relatively easy to extend its utility by adding additional users and services, the downside of the rule, is the cost of entry for newcomers - especially in management time.

As Digital points out: "The key to successful EDI implementation is careful planning. Technology alone is not enough."

"EDI implementations require 80 per cent management focus and only 20 per cent technology focus. Without the right approach, the process can be slow and adversely affect your business efficiency."

Thus, as with computers systems in the past, the blind adoption of technology will not always guarantee the benefits needed to compete in the marketplace.

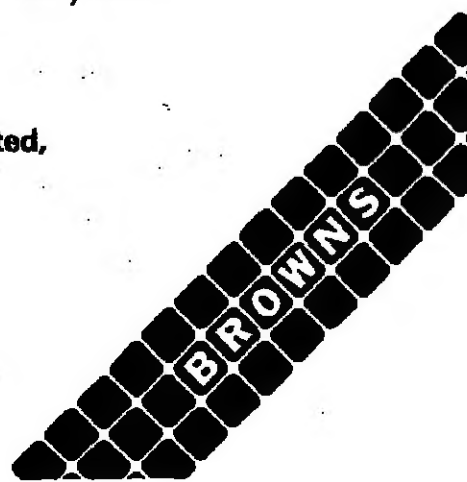
Adrian Morant

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'Super-carriers' target corporate communications sector

Fierce battle among global players

With the announcement last year of its US-headquartered Syncom venture, the UK's BT fired the first shot in what is becoming an increasingly fierce battle for the private telecommunications business of the world's leading global corporations.

The international private telecommunications sector is valued at nearly \$30bn and is growing annually at between 15 per cent and 20 per cent. Ironically, this market came into being in the first place as a result of the failure of public network operators to provide adequate solutions to the specialised communications needs of large corporate users. Now the public carriers are trying to claw back this lucrative business.

Based in Atlanta, Georgia, Syncom was originally intended to marry the talents of BT with those of its German and Japanese counterparts, Deutsche Bundespost Telekom (DBT) and Nippon Telegraph and Telephone (NTT). The plan was that this "super-carrier" would divide up the leading US, European and Asian Pacific markets between its members, offering "outsourced" packages for the management of existing private networks, and the construction and operation of new ones.

As well as end-to-end management and round-the-clock, multi-lingual customer help-desks in a number of centres around the world, Syncom's repertoire was to be extended to include international cashless calling, worldwide private numbering and mobile services for corporate users.

"We have great ambitions for Syncom," said BT chairman Iain Vallance at the company's launch. "We intend to be the leading providers of outsourced networking services and we intend to set the industry standard for those services."

The ambitions remain, but the effort to expand Syncom's membership did not pan out as its progenitors intended.

While discussions about NTT's membership continue, DBT has broken away and, with France Telecom, formed a rival enterprise known as Eunetcom. BT is now in discussion with one of the US long distance carriers with a view to replacing DBT.

Some observers believe that additional partners are vital to establish Syncom's credibility with the biggest of the corporations it is targeting. Bert Roberts, president of the US carrier MCI, argues that any outsourcing venture will fail in the all-important US market if it does not include a US partner.

A different view is taken by some of BT's senior management who think that BT can go it alone in Syncom. No doubt Syncom's recent success in picking up a reported \$30m contract to manage some of IBM's European data network business, together with the

already used third parties, such as GE Information Services and Infontet to provide certain network services and resources, but none was prepared at that time to outsource any significant portion of network management to a public telecommunications carrier.

One user summed up the view of those who were sympathetic to outsourcing: "We're interested in sharing management (with a third party), but it would have to be cost-effective, and we'd have to keep enough people to ensure we knew when the suppliers were lying to us... and we'd have to be able to take back control at short notice if we felt that was necessary."

"We don't really expect to see carriers develop this capability for another five years."

As well as overcoming scepticism about their competence, carriers must sell the outsourcing concept initially to corporate communication managers, a body of individuals whose status, if not livelihood, could be adversely affected by the decision to buy outsourced services.

Some consultants have queried the basis of the super-carriers' stated business case. In addition to recognising that not all the players currently trying to enter the global services market will succeed, a new report from the UK's Analysis consultancy advises caution on the part of putative customers.

Susan Ablett, the report's lead author, says that the pace of technological change and regulation "... means that long-term agreements negoti-

ated now may not be to the advantage of the user within a matter of one or two years."

As the Syncomia experience demonstrates, the construction of super-carrier alliances is not necessarily straightforward. Klaus Greulich, director general of the DBT's international affairs department, has noted that some carriers are competing with each other to provide end-to-end services for some global customers, and trying to

co-operate with each other to bring the optimum spread of services to other customers. With a degree of understatement, Greulich characterises this delicate balancing act as "stimulating."

Last, but not least, the super-carrier idea faces an uncertain regulatory future. In 1988 the European Commission's Directorate General IV (which is responsible for preventing unnecessary restriction of com-

petition through monopoly or cartel creation), forced the cancellation of the MDNS managed data alliance planned by 22 European telephone companies.

More recently, the same body has required the Infontet data operation, which is jointly owned by some of Europe's leading carriers, to open its accounts for public inspection to ensure that it is not in receipt of cross subsidies

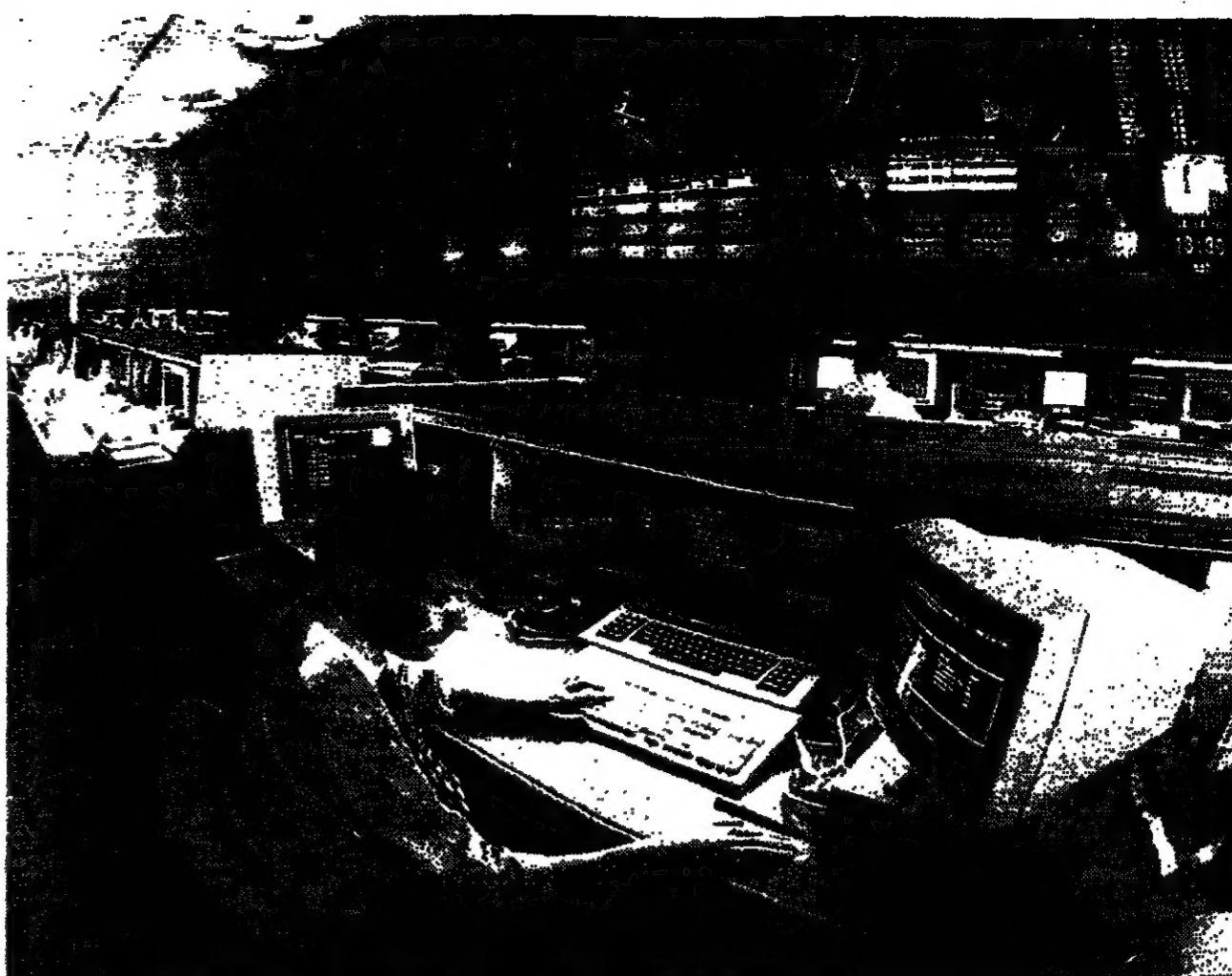
which give it an unfair commercial advantage.

So far, regulatory intervention in the super-carrier marketplace has been a European phenomenon.

The odds are that this will not be the case for much longer.

John Williamson

The writer is International Editor, Telephony Magazine



International telecom nerve-centre: duty managers at BT's new 24m Worldwide Network Management Centre can instantly pinpoint trouble spots and remedy problems, thus protecting networks against congestion. The centre at Oswestry, Shropshire, features a constantly-changing video wall of maps and charts - 25m (80ft) long, the largest video wall in Europe.

Public network operators are trying to claw back business from the international private telecom sector which is valued at nearly \$30bn and growing at between 15 per cent and 20 per cent a year

growing volume of business handled by BT's existing, sole-owned international managed network business, dubbed Global Network Services (GNS), lends some weight to this belief. Two new additions to the GNS client list are the Gillette Company and J.P. Morgan.

Regardless of whether Syncom has one owner or several, achieving success in the outsourcing marketplace will require cast-iron commitment and a very persuasive sales pitch.

Potential competition is on the increase. Not only are general purpose carrier alliances forming, including Eunetcom and the Swedish-Dutch enterprise called Unisource, but industry-specific partnerships are looking at wider possibilities.

One such is the Financial Network Association (FNA). This was formed by twelve car-

riers in March to offer a range of private and public services to the international banking and finance sectors.

Belgacom, the Belgian carrier which could sign up with Unisource after the middle of the year, is a founding FNA member. Belgacom director and chief engineer Joris Claeys believes that the lessons FNA learns in servicing the financial community could later be applied to other types of user.

Another contender is the Sector subsidiary of the airline telecommunications service organisation, Societe Internationale de Telecommunication Aeronautique (SITA).

Set up in April, it is now offering managed data network services alongside its portfolio of value-added services and electronic messaging products.

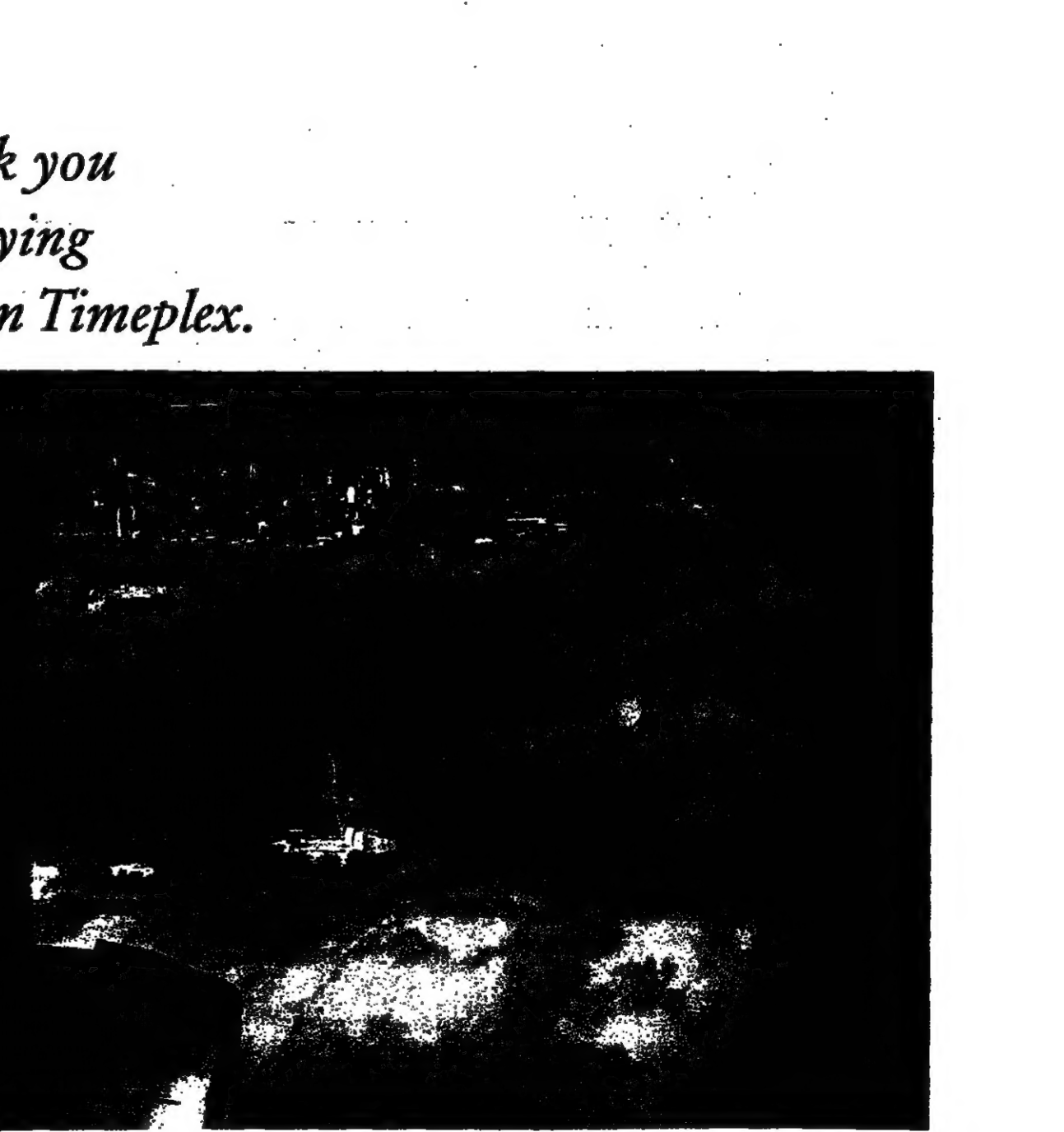
As the number of players on the field increases, the potential for business failures in the

outsourcing sector will grow. This may prevent some would-be corporate customers from farming out their network operations until the sector is better understood... and less populated.

Undoubtedly, Syncom and other super-carrier outsiders will be able to break their rates and systems to be highly competitive with those of privately-run networks. They will also have superior resources to resolve the increasingly complex technical and contractual telecommunications choices facing businesses operating internationally.

However, many telephone companies still suffer something of a credibility gap with their would-be customers. In a survey of 30 large international corporations and organisations carried out by the UK's Yankee Group consultancy two years ago, some of the respondents

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for flying
Ascom Timeplex.



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You're thinking of an airline, right? Wrong! We're talking about a company that offers you more non-stop connections between New York, Tokyo, London and all points in between than any airline: Enterprise Networking from Ascom Timeplex.

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ascom Timeplex thinks ahead.

Mark Newman

CHARGE CARDS

Still only the tip of the iceberg

If your wallet is already bulging with bank cards and your head has been tied in knots by different personal identification numbers, you might not take kindly to BT's suggestion that your life would be made easier with one of its Chargecards.

But this is the message that Beattie has been putting over to television audiences for the past year. And judging by Chargecard subscriptions, the message has been getting through.

BT has supplied 700,000 Chargecards since January 1991, having distributed only 500,000 cards in the previous five years following its launch in 1986.

BT believes that this is still only the tip of the iceberg. It wants people to view the Chargecard as an extension of their home or office, using it to access other services such as voice or electronic mail and facsimile.

Mr Tony Vardy, BT's director of service development, acknowledges that most people still associate Chargecards with public payphones. The point that Beattie was making in her Chargecard commercial is that you can use the Chargecard from any phone and the call will automatically be billed to your home or office account.

In the advert, Beattie wanted to make a call from a clothes shop and had to reassure the shop assistant that using the shop's private phone did not mean that it would have to pay.

Chargecards are free, like credit cards used to be. They look like bank cards, with the cardholder's name, his or her account number and an expiry date.

When you need to make a call, you dial 144 on those phones which have number pads, and get recorded message which asks you to tap in your PIN, and proceed to make your call.

Calls made with a Chargecard are billed at the same rate as public payphones, which is more than if the call is made from your home or office.

When BT first launched its Chargecard service, calls had to be routed via a BT operator. If you still have a phone that

uses the old dial mechanism, you still have to use an operator. This makes the Chargecard more expensive and slower than using the new system.

Increasingly, BT is looking to the Chargecard to increase its revenues from people calling home while they are away on business or on holiday. Abroad, the card can be used in the same way as in the UK. It can avoid problems of finding the right coins to make calls, and can save money for those people who usually make calls from hotels - which often charge four to five times the standard rate.

The Chargecard can be used from 83 countries around the world, but it is not yet possible to call a third country using a Chargecard. If you were in Milan and needed to

Callers can use the Chargecard from any phone and the call will automatically be billed to their home or office account

make a call to Paris, you would either have to use a public payphone or phone from your hotel room.

However, three American telephone companies, American Telephone and Telegraph, Sprint and MCI, have launched services for third party calling for their American chargecard customers in the past few weeks. BT hopes to start offering a similar facility to its Chargecard customers this summer. It will be called UK Direct.

The improved ease of use and the new UK Direct service have combined to make the Chargecard a more attractive service than when it first came out. But there is one aspect of the service that is giving considerable cause for concern both for BT and other operators of chargecard services.

Fraud affects BT's Chargecard service as much as it does banks with credit cards. When a Chargecard call is made, the caller has to tap in his PIN on a number pad in the same way as you would enter your PIN number at a cash dispenser.

If someone sees the number

you are dialling, he can use it to make calls that will be charged to your account without even needing to use the card.

At airports and railway stations where there are likely to be a number of Chargecard users, fraud has become big business and when a PIN is obtained, it is rapidly passed on to a number of people ready and waiting to make costly overseas calls.

BT reckons it has cut down fraud by "putting up warning flags" when a Chargecard holder makes calls that do not coincide with his normal calling patterns. But fraud is still a worry and will have to be eliminated if users are to have the confidence to use Chargecards for new services that often involve sending and receiving sensitive commercial information.

The Chargecard is not the only piece of plastic that can be used to make calls. Both BT and Mercury Communications, its domestic rival, have prepaid phone cards as an alternative to coins.

Calls can also be made with credit cards and an agreement between BT and Visa last month means that the benefits of the Chargecard will be extended to owners of Visa cards worldwide at the start of next year.

Part of the thinking behind this is that "people who come to the UK don't make any where near as many phone calls as we'd like them to," according to Mr Vardy. The VisaPhone service, as it is called, will permit visitors from abroad to make calls from telephones in the UK which will be billed to their Visa card in the local currency.

BT may embark on similar ventures with other leading credit card companies in the future. But BT still sees itself "working with, rather than competing against, credit cards," according to Mr Vardy, and will not follow the example of American Telephone and Telegraph in the US which has set up a joint venture with American Express to supply cards that combine the functions of chargecards and credit cards.

You've done everything you can to improve cash flow. Positive?

THERE MAY BE ONE AVENUE which, as yet, you've not fully explored: **communications**. There are obvious ways in which it can help – like calling to chase payment – and unexpected ways like the ideas on this page.

They were culled from over 2,000 interviews with business people to probe how communications can help with the issues businesses face today. They show that a positive approach can help keep your cash flow positive.



Forms UK plc.
Colin Davies, Chief Executive Officer.

"ELECTRONIC MAIL IS WHERE THE FUTURE IS – the distribution of information to everyone's desk. We use it very effectively – to the factory, suppliers and so on, which saves us having to type it out, send it out, photocopy and distribute it manually. Over a year, that's a lot of time and money saved."



Lyndoe Holdings plc.
Mikal Lyndoe, Chief Executive Officer.

"We use the fax to encourage prompt payment, and we find that people pay faster than their standard terms of business. We've got it down to about 21 days, instead of the normal 60.

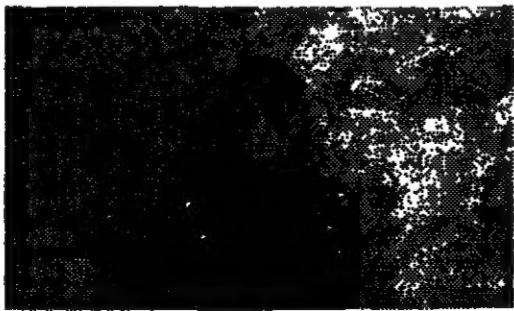
Our method is to increase the size of the type with each successive fax. We start at around 24 point, which grabs attention. If it doesn't work first time we fax again in **BIG BOLD LETTERS** that there is still an

outstanding amount to pay – and usually that's sufficient to do the trick"



Midland Management Services.
Malcolm Jones, General Manager.

"In our business it's vital to generate new work all the time, to keep the cash coming in. If potential customers can't get through to the right person straight away, they may go elsewhere, and that could be next month's cash flow down the drain. Call diversion is the answer. With call diversion you're **ALWAYS AVAILABLE TO TAKE AN ORDER**, to keep the money flowing the next quarter."



The Home Service.
Sharon Baxter, Sole Trader.

"Two of our people work from home, using purely the telephone. It isn't just selling – they also research the market, process orders, and chase payment. Obviously, **WORKING FROM HOME HELPS OUR CASHFLOW** by saving on office overheads. It also suits our people, who can make calls and generate

business outside normal office hours, and improve earnings for us and them."



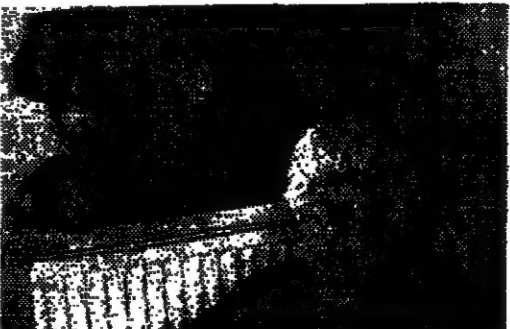
BR & M Holmes.
Barry Holmes, Partner.

"We encourage our customers to send their orders by fax rather than post, which speeds up the whole business process. For our part we **FAX INVOICES AND STATEMENTS**, which definitely gets the money in faster. Used properly, a fax is one of the best investments you can make."



Pandoro Ltd.
Michelle Webster, Administration.

"We operate a team of over 200 drivers, which means a lot of people out on the road at any one time. When they need to call in – which is often – they have **A SPECIAL FREE 0800 NUMBER** which is routed directly through to the traffic department – so the call doesn't go through our switchboard. This is a very cost-efficient arrangement, which saves the driver time on the call, and eases the staff pressure on our switchboard."

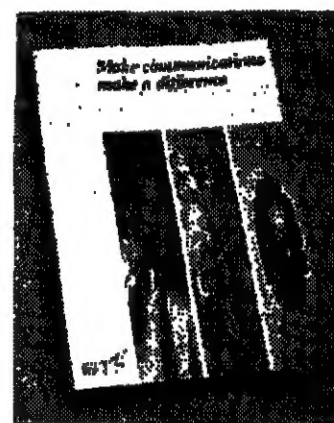


Industrial Information Index.
Melvyn Lebetkin, Director.

"We're an on-line information service. Customers access our data

base, for which we charge them upfront membership and usage time. For smaller customers, whose usage is not great enough to charge an upfront fee, we have an **0891 NUMBER**, which means they're accessing our information on a premium line. So instead of invoicing the customer, we earn our margin through BT.

This eases our cash flow considerably because instead of waiting for lots of people to pay us we get paid by just one."



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